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1977 BUDGET EXPLANATORY NOTES

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Funds for Strengthening Markets,
Income, and Supply (Section 32)
Packers and Stockyards Administration
Food and Nutrition Service

Foreign Agricultural Service
Office of the Sales Manager
Public Law 480
Agricultural Stabilization and
Conservation Service

Federal Crop Insurance Corporation
Commodity Credit Corporation

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(Volume 2)

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953, and other authorities. The Service carries out its programs under the following principal legislation:

Agricultural Adjustment Act of 1938
Agricultural Marketing Act of 1946
Agricultural Marketing Agreement Act of 1937
Agricultural Fair Practices Act of 1967
Cotton Futures Provisions of the Internal
Revenue Code of 1954
Cotton Research and Promotion Act
Cotton Statistics and Estimates Act of 1927
Egg Products Inspection Act
Egg Research and Consumer Information Act
Export Apple and Pear Act
Export Grape and Plum Act
Federal Seed Act
Naval Stores Act
Perishable Agricultural Commodities Act
Plant Variety Protection Act
Potato Research and Promotion Act
Produce Agency Act
Section 32 of the Act of August 24, 1935
Tobacco Inspection Act
Tobacco Seed and Plant Exportation Act
Tobacco Statistics Act
Turpentine and Rosin Statistics
U. S. Cotton Standards Act
U. S. Grain Standards Act
U. S. Warehouse Act
Wheat Research and Promotion Act
Wool Standards Act

Through its marketing and regulatory programs, the Service aids in advancing orderly and efficient marketing and effective distribution of products from the Nation's farms.

The Agricultural Marketing Service carries on the following principal programs:

1. Marketing Services. These activities are directed toward assisting in the further development of an orderly marketing system for agricultural commodities and include:
 - a. Market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products; and to provide timely commodity price information for use of other decision makers in agricultural marketing.

- b. Inspection, grading, classing, and standardization services to: (1) develop standards of quality and condition for agricultural commodities and to use them in providing the language of commerce for these commodities through the inspection, grading, and standardization programs -- language which permits trade and commerce among buyers and sellers who need never see each other, but who, because they have been provided a common language which accurately describes the commodities of their transactions, are able to buy or sell with complete understanding and assurance of what is being traded; and (2) participate and assist in the development of international food standards.
 - c. Regulatory activities covering the administration of laws intended to prevent financial loss resulting from deceptive, careless, and fraudulent marketing practices and to provide assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products.
 - d. Commodity program operating expenses to support the public feeding (needy family, the elderly, and institutions) and child nutrition programs and to aid in the marketing and use of mostly perishable agricultural commodities in need of marketing assistance because of supply in excess of market demands at fair prices.
 - e. Supervision of marketing agreement and order programs, and for conducting public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs. Marketing orders establish orderly marketing conditions. In the case of dairy orders this is done by establishing minimum prices which handlers pay to producers. For fruit and vegetable and tobacco orders, orderly marketing is maintained by regulating the quality, quantity, or size of products which handlers may market in commercial channels.
2. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State, and private agencies, on a reimbursable basis.

Headquarters of the Service is at Washington, D. C. There are approximately 475 field offices located in 46 States, Puerto Rico, and Canada. On June 30, 1975, there were 4,453 full-time employees and 500 part-time and intermittent employees. Of the total employment of 4,953 (including the Milk Market Administrators and their staffs), approximately 81% of the full-time and most of the part-time and intermittent employees were assigned to one or more of the field office locations. About 67% of the total employment was financed through revenue from fees, charges, or other assessments and through joint financing or other arrangement with other Federal agencies, States, and private cooperators.

Available Funds and Man-Years
1975 and Estimated, 1976 and 1977

Item	Actual		Estimated		Budget Estimate	
	1975		Available, 1976		1977	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>Agricultural Marketing Service:</u>						
Marketing Services	\$40,882,500	1,723	\$47,139,000	1,885	\$57,087,000	2,240
Payments to States and Possessions	1,600,000	--		--		--
Total	42,482,500	1,723	47,139,000	1,885	57,087,000	2,240
<u>Obligations under other USDA appropriations:</u>						
Agricultural Stabilization and Conservation Service- for operation of commodity teletype, data on wheat exports by classes, and miscellaneous services ...	43,150	2	44,000	2	44,000	2
Agricultural Research Service- for cotton and cordage fiber and spinning tests	31,303	4	28,000	3	28,000	3
Commodity Credit Corporation:						
For classing cotton and tobacco grading	--	--	1,250,000	90	1,250,000	90
For classing CCC-owned cotton	--	--	4,000	--	4,000	--
For warehouse examination functions	3,304,888	139	3,664,000	147	3,695,000	147
Food and Nutrition Service- for commodity procurement and miscellaneous services	192,812	11	225,000	11	225,000	11
Statistical Reporting Service- for beef, steer, and heifer data	50,000	5	--	--	--	--
Miscellaneous reimbursements	395,802	3	419,000	3	419,000	3
Total, Other USDA Appropriations	4,017,955	164	5,634,000	256	5,665,000	256
Total, Agricultural Appropriations	46,500,455	1,887	52,773,000	2,141	62,752,000	2,496

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Item	Actual		Estimated		Budget Estimate	
	1975		Available, 1976		1977	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>Permanent appropriations:</u>						
Funds for Strengthening Markets, Income, and Supply (Section 32)	1,019,207,831	441	1,128,086,933	359	1,120,000,000	--
Carryin	191,004,579	--	120,809,585	--	--	--
Recovery of prior period obligations	22,376,478	--	--	--	--	--
Deduct Carryout	-120,809,585	--	-82,172,724	--	--	--
Deduct Transfers	-730,793,526	--	-889,931,794	--	1,120,000,000	--
Deduct Allotment to FNS ...	-177,107,755	-211	-64,438,000	-117	--	--
Net, AMS	203,878,022	230	212,354,000	242	--	--
Perishable Agricultural Commodities Act Fund	1,560,415	83	1,802,000	88	1,820,000	88
Total, Permanent Appropriations	205,438,437	313	214,156,000	330	1,820,000	88
<u>Other Federal Funds</u>	57,791	1	48,000	1	48,000	1
<u>Non-Federal Funds</u>	44,198,744	2,130	47,304,000	1,927	47,756,000	1,927
Milk Market Orders Assessment Fund	20,842,229	828	22,040,000	798	23,693,000	798
Total, Agricultural Marketing Service	317,037,656	5,159	336,321,000	5,197	136,069,000	5,310

	1975 <u>Actual</u>	1976 <u>Estimated</u>	1977 <u>Estimated</u>
End of Year Employment:			
Permanent full-time	4,452	4,592	4,592
Other	434	500	1,000
Total	<u>4,886</u>	<u>5,092</u>	<u>5,592</u>

(a) Marketing Services

Appropriation Act, 1976	\$47,055,000
Budget Estimate, 1977	<u>57,087,000</u>
Increase in Appropriation	<u>+10,032,000</u>

Adjustments in 1976:

Appropriation Act, 1976	\$47,055,000	
Activities transferred from Agricultural Stabilization and Conservation Service <u>a/</u> and Economic Management Support Center <u>b/</u>	<u>+84,000</u>	
Adjusted base for 1977		47,139,000
Budget estimate, 1977		<u>57,087,000</u>
Increase over adjusted 1976		<u>+9,948,000</u>

a/ Pursuant to Secretary's Memorandum No. 1881, on September 19, 1975, the market news activities for the sugar program were transferred to this account from the Agricultural Stabilization and Conservation Service. Actual transfer of funds of \$20,000 was made in 1976. On a comparable basis the full annual cost of the activity including pay costs is \$70,000 for 1976 and \$70,000 for 1977.

b/ Pursuant to Secretary's Memorandum No. 1836, on January 9, 1974, the management support functions for the Packers and Stockyards Administration were transferred to this account from the Economic Management Support Center. Actual transfer of funds of \$36,000 was made in 1976. On a comparable basis the full annual cost of the activity including pay costs is \$64,000 for 1976 and \$67,000 for 1977.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1976 <u>Estimated</u>	Increase or <u>Decrease</u>	1977 <u>Estimated</u>
Market News Service	\$10,894,000	--	\$10,894,000
Inspection, Grading, Classing, and Standardization	29,673,000	+\$301,000	29,974,000
Regulatory Activities	4,141,000	-150,000	3,991,000
Commodity Program Operating Expenses	--	+3,785,000	3,785,000
Marketing Agreements and Orders ...	--	+4,266,000	4,266,000
GSA space rental costs	2,431,000	+103,000	2,534,000
Pay cost increase effective in FY 1976	--	+1,643,000	1,643,000
Total available	<u>47,139,000</u>	<u>+9,948,000</u>	<u>57,087,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1975 Actual	1976 Estimated	Increase or Decrease	1977 Estimated
1. <u>Market News Service:</u>				
a. Cotton and cottonseed	\$966,096	\$1,030,000	+\$41,000	\$1,071,000
b. Dairy products	291,664	264,000	+10,000	274,000
c. Fruits and vegetables	3,238,450	3,510,000	+133,000	3,643,000
d. Grain, hay, feed, etc.	868,091	858,000	+22,000	880,000
e. Leased wire service	845,790	723,000	+15,000	738,000
f. Livestock, meats, and wool ...	2,804,641	2,878,000	+121,000	2,999,000
g. Naval stores	13,658	45,000	+1,000	46,000
h. Poultry products	1,488,750	1,584,000	+48,000	1,632,000
i. Tobacco	402,999	469,000	+15,000	484,000
Total, Market News Service ..	10,920,139	11,361,000	+406,000(1)	11,767,000

(Continued on next page)

Project	1975 Actual	1976 Estimated	Increase or Decrease	1977 Estimated
2. <u>Inspection, Grading, Class- ing and Standardization:</u>				
a. Cotton and cottonseed	9,185,298:	9,548,000:	+468,000	:10,016,000
b. Dairy products	155,196:	126,000:	+7,000	: 133,000
c. Egg & egg products inspection	5,257,801:	6,215,000:	+143,000	: 6,358,000
d. Fruits and vegetables	1,283,147:	1,267,000:	+53,000	: 1,320,000
e. Grain (U.S. Grain Standards Act)	3,498,845:	8,375,000:	+310,000	: 8,685,000
f. Livestock, meats, and wool ..	395,892:	396,000:	+16,000	: 412,000
g. Naval stores	37,364:	54,000:	+2,000	: 56,000
h. Poultry products grading ...:	337,388:	382,000:	+16,000	: 398,000
i. Rice, hay, beans, etc.:	131,413:	93,000:	+6,000	: 99,000
j. Tobacco	5,287,265:	5,083,000:	+461,000	: 5,544,000
Total, Inspection, Grading: Classing & Stdza.:	25,569,609:	31,539,000:	+1,482,000 (2)	:33,021,000
3. <u>Regulatory Activities:</u>				
a. Export Fruit Acts	18,485:	21,000:	+1,000	: 22,000
b. Federal Seed Act	811,013:	857,000:	+35,000	: 892,000
c. Naval stores and tobacco export permits	11,472:	16,000:	--	: 16,000
d. Packers and Stockyards Administration	61,500:	64,000:	+3,000	: 67,000
e. Plant Variety Protection Act:	297,622:	345,000:	+15,000	: 360,000
f. Research and promotion	66,586:	220,000:	-148,000	: 72,000
g. Transportation services	377,937:	429,000:	+18,000	: 447,000
h. U.S. Warehouse Act	1,994,790:	2,287,000:	+85,000	: 2,372,000
Total, Regulatory Activities	3,639,405:	4,239,000:	+9,000 (3)	: 4,248,000
4. <u>Commodity Program Operating Expenses</u>	--	--	+3,785,000 (4)	: 3,785,000
5. <u>Marketing Agreements and Orders</u>	--	--	+4,266,000 (4)	: 4,266,000
Unobligated balance	753,347:	--		
Total, available or estimate:	40,882,500:	47,139,000:	+9,948,000	:57,087,000
Transfer from:				
Agricultural Stabilization and Conservation Service	-66,000:	-20,000:		
Economic Management Support Center	-61,500:	-64,000:		
Total, appropriation	40,755,000:	47,055,000:		

EXPLANATION OF PROGRAM

1. Market News Service

The market news program is carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Cotton Statistics and Estimates Act of 1927, (3) Tobacco Statistics Act of 1929, (4) Tobacco Inspection Act of 1946, (5) Naval Stores Act of 1923, and (6) Turpentine and Rosin Statistics Act.

The market news service provides local, regional and national marketing information. The information is current and covers supply, movement, contractual agreements and prices at specific markets for practically all agricultural commodities. The marketing of agricultural products is characterized by a series of decision points through which product flow concentrates and transactions take place. Market news provides those engaged in production and marketing of farm product at these decision points, as well as those supplying the farm market, with timely, accurate, and unbiased information pertinent to market conditions. Thus, on a day-to-day basis, those in the market are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and immediately disseminated to the agricultural community through mailed reports, newspapers, television, and leased wire. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by all the news media as well as by mimeographed reports, telephone, tape recorder, and telegraph.

2. Inspection, Grading, Classing, and Standardization

This program is carried out under the following authorities:

- Agricultural Marketing Act of 1946
- Cotton Statistics and Estimates Act
- Cotton Futures Provisions of Internal Revenue Code
- Cotton Standards Act
- Egg Products Inspection Act
- Import and Export Inspection Overtime Act
- Naval Stores Act
- Tobacco Inspection Act
- U.S. Grain Standards Act
- Wool Standards Act

The number of differing authorities enacted above are intended for use in helping meet specific marketing problems, including establishment of product standards, provision of inspection and grading services, and other programs.

The standardization provides for identification of various agricultural products by specific size, color, appearance, weight, and other characteristics. When a commodity exhibits specific characteristics described by a standard, the commodity is given a grade.

The process of grading determines whether a commodity comes within a standard. Segregation by standard or characteristic permits buyers and sellers to be assured that their requirements will be met regardless of time or place of transaction and without personal inspection. Thus, standardization provides the language for the conduct of commerce in agricultural commodities and grading is the application of the standards.

3. Regulatory Activities

In the administration of regulatory activities Agricultural Marketing Service operates under the following authorities:

- Agricultural Adjustment Act
- Agricultural Fair Practices Act
- Cotton Research and Promotion Act
- Egg Research and Consumer Information Act
- Export Apple and Pear Act
- Export Grape and Plum Act
- Federal Seed Act
- Naval Stores Act
- Plant Variety Protection Act
- Tobacco Seed and Plant Exportation Act
- U.S. Warehouse Act
- Wheat Research and Promotion Act

Under the above authorities, AMS regulatory programs include: Warehouse inspection to assure proper storage of goods and to assure the integrity of warehouse receipts which certify the quantity and quality of goods on hand. The issuance and use of these receipts enables farmers to obtain loans for their goods in storage, and

facilitates trading in the commodities. The Plant Variety Protection Program which offers legal protection to developers of new varieties of plants which reproduce by seed, by providing the equivalent of a patent to the plant's developer. The Federal Seed Program which prevents mislabeled seed moving in interstate commerce by providing for random sampling of seeds to insure accurate labeling of seed characteristics. The Export Fruit Program which regulates the export of American fruit by inspection so as to prevent deception or misrepresentation as to the quality of such fruit by providing for inspection of them. The Cotton Research and Promotion Program which provides for the collection of a \$1 per bale assessment for cotton research and promotion activities. The Naval Stores Program which protects users against misleading labeling of turpentine and related products moving in interstate commerce, and the Tobacco Export Program which prohibits the exportation of domestic seed and live tobacco plants from the U.S. except for experimental purposes.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$406,000 for the market news service consisting of:

- (a) An increase of \$382,000 for pay increases effective in FY 1976.
- (b) An increase of \$24,000 for space rental costs.

Need for Increase: Pursuant to P.L. 92-313, the Agency is required to budget for costs associated with occupied GSA controlled space. The 1976 Appropriation Act again limited the Department to paying 90 percent of the Standard Level User Charge used in computing the 1976 request. The funds requested in the 1977 Budget would (1) restore the full financing necessary to meet estimated billings provided by the General Services Administration, and (2) provide for additional general rate increases anticipated during FY 1977.

(2) An increase of \$1,482,000 for inspection, grading, classing and standardization consisting of:

- (a) An increase of \$1,100,000 for pay increases effective in FY 1976.
- (b) An increase of \$81,000 for space rental costs.

Need for Increase: Pursuant to P.L. 92-313, the Agency is required to budget for costs associated with occupied GSA controlled space. The 1976 Appropriation Act again limited the Department to paying 90 percent of the Standard Level User Charge used in computing the 1976 request. The funds requested in the 1977 Budget would (1) restore the full financing necessary to meet estimated billings provided by the General Services Administration, and (2) provide for additional general rate increases anticipated during FY 1977.

- (c) An increase of \$301,000 for extended tobacco flue-cured season (\$5,083,000 available in 1976).

Need for Increase. There are two factors that determine the length of the flue-cured tobacco marketing season and, consequently, the period of time seasonal inspectors are employed. They are: (1) total production, and (2) the 85-million-pounds-per-week maximum capacity level because tobacco is a highly perishable commodity that must be processed soon after being put on the market to prevent damage and a loss in quality and value.

In FY 1974, the selling season on the southern markets opened on July 24, and producer sales amounted to 1,155 million pounds. In FY 1975, the selling season opened July 15, and producer sales amounted to 1,240 million pounds. This earlier opening was due to an increase in production and provided sales opportunity to growers when their tobacco was ready for market.

Based on growers' intentions as of March 1, production in FY 1976 is expected to reach 1,450 million pounds, 210 million pounds more than in FY 1975. With total sales limited to 85 million pounds per week, an increase of 210 million pounds would require the FY 1976 selling season to be approximately two and one-half weeks longer than the FY 1975 season to be able to provide marketing opportunity for all tobacco being put on the market. One and one-half weeks of the additional time needed will be accounted for by heavier sales during the last weeks of sales in each market in FY 1976, since in FY 1975 these periods had sales of less than 85 million pounds per week.

In order to accommodate the additional week of marketing needed for the increased flue-cured crop, it was necessary to open the market one week earlier. Opening the markets earlier to complete flue-cured sales before the normal burley marketing opening date facilitates the reassignment of inspection personnel when the burley tobacco becomes ready for marketing. Therefore, to sell the increased production, it was necessary in FY 1976 to return 128 of our 270 seasonal inspectors to duty one week earlier than current funding allows in order to staff the 47 markets in the southern areas. They were followed by 105 more seasonal inspectors in the next return to duty, also one week earlier than current funding allows. The remainder of our seasonal inspectors were returned to duty as needed to staff the remaining markets in North Carolina and Virginia. This schedule is expected to be required from FY 1977 to FY 1982.

Plan of Work. Funds will be used to pay the salaries and travel expenses of some 233 seasonal tobacco inspectors for an additional one to two weeks due to earlier opening of the markets.

- (3) An increase of \$9,000 for regulatory activities consisting of:
 - (a) An increase of \$161,000 for pay increases effective in FY 1976.
 - (b) A decrease of \$2,000 for space rental costs pursuant to P.L. 92-313.
 - (c) A decrease of \$150,000 due to non-recurring need of funds provided in FY 1976 for the Egg Research and Consumer Information Act referendum. An appropriation of \$150,000 was provided in FY 1976 to conduct a referendum under the Egg Research and Consumer Information Act. The referendum is completed and these funds will not be needed in FY 1977.
- (4) An increase of \$3,785,000 for Commodity Program Operating Expenses, including \$35,000 for annualization of pay increases effective in FY 1976 and \$8,000 for space rental costs pursuant to P.L. 92-313 (\$3,742,000 available in 1976 under Section 32 funds).

An increase of \$4,266,000 for Marketing Agreements and Orders, including \$38,000 for annualization of pay increases effective in FY 1976 and \$16,000 for space rental costs pursuant to P.L. 92-313 (\$4,212,000 available in 1976 under Section 32 funds).

Need for Increase. Administrative costs in connection with administering programs of commodity purchases under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) and the marketing agreements and orders (7 U.S.C. 1392b) are currently paid from Section 32 funds. It is proposed to fund these costs from Marketing Services appropriated funds.

Funds Received from Commodity Credit Corporation
(Warehouse Examination, Cotton Classing, and Tobacco Grading)

	Administrative Expense <u>Limitation</u>	Capital <u>Fund</u>	<u>Total</u>
Available, 1976	\$3,439,000	\$1,479,000	\$4,918,000
Budget Estimate, 1977	<u>3,470,000</u>	<u>1,479,000</u>	<u>4,949,000</u>
Increase in Availability	<u>+31,000</u>	<u>--</u>	<u>+31,000</u>

PROJECT STATEMENT
(On Basis of Available Funds)

Project	:	:	:	:	:
	1975	1976	Increase	or	1977
	Actual	Estimated	Decrease	Estimated	Estimated
Funds from Commodity Credit Corporation:	:	:	:	:	:
Warehouse Examination:	:	:	:	:	:
Administrative Expense Limitation	\$3,104,461	\$3,439,000	+\$31,000(1)	:	\$3,470,000
Capital Fund	200,427	225,000	--	:	225,000
Total, Warehouse Examination	3,304,888	3,664,000	+31,000	:	3,695,000
Cotton classing and tobacco grading	--	1,250,000	--	:	1,250,000
Classing CCC-owned cotton	--	4,000	--	:	4,000
Total funds from CCC	<u>3,304,888</u>	<u>4,918,000</u>	<u>+31,000</u>	:	<u>4,949,000</u>

EXPLANATION OF PROGRAM

Warehouse Examination

The Agricultural Marketing Service administers the CCC warehouse inspection program under a memorandum of understanding with the Agricultural Stabilization and Conservation Service.

The Commodity Credit Corporation, in carrying out its various price support programs, has contracts with approximately six thousand commercial commodity warehouses for the storage and handling of commodities owned by or pledged to CCC for government loans.

AMS is responsible for determining the qualifications of warehouses and warehousemen for CCC contract purposes, and for protecting the government's interest in commodities stored in such warehouses. This is done through original examinations of warehouses and investigations of warehousemen when applications for contracts are filed with CCC, through periodic subsequent examinations of warehouses and the commodities stored therein after CCC enters into a contract, and through continuing review of the warehouseman's operations and financial stability.

Goals are to examine each warehouse at least twice each fiscal year--four times in the case of warehouses storing processed commodities--plus the necessary followup examinations, and to obtain and review a financial statement from each warehouseman at least once each year.

Cotton Classing and Tobacco Grading

The 1952 Department of Agriculture Appropriation Act provided permanent legislation for transfer of funds from the Commodity Credit Corporation to supplement the appropriation for the classing of cotton and grading of tobacco and any other commodity for which the producer does not pay for the service (7 U.S.C. 414a).

Classing CCC-owned Cotton

Reimbursements are received for services performed in classing CCC-owned cotton under authority of 31 U.S.C. 686.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$31,000 for annualization of pay cost increases effective in FY 1976.

STATUS OF PROGRAM

Work under this appropriation consists of three major areas designed to advance an efficient, orderly marketing system for agricultural commodities. A market news service is carried out in cooperation with the States to provide farmers and other interested parties with timely, accurate and unbiased information on prices, supplies and quality of most agricultural commodities produced or sold in the United States. The inspection, grading, classing and standardization program provides for quality standards and the uniform application of them. Under the regulatory programs, various laws are administered to assure fair trading in agricultural commodities and to assist producers and marketers in obtaining and maintaining equitable transportation rates and services on farm products and supplies.

Each subappropriation is further divided into financial projects. Current activities, progress, and current programs under each project are outlined below.

MARKETING SERVICES

1. Market News Service:

Current Activities:

The objective of the Federal-State Market News Service is to facilitate an orderly and efficient marketing system for agricultural products. This is accomplished through the collection and dissemination of timely information on prices, demand, movement, volume, and quality of most major agricultural commodities produced or sold in the United States.

Market news directly or indirectly helps all segments of the American economy:

- ... It helps producers to decide where and when and at what price to sell.
- ... It assists producers in planning production.
- ... It aids dealers in deciding what prices to offer and where to ship.
- ... It assists the Federal Government in determining price support differentials and price levels for surplus removal and other purchase programs.
- ... It helps develop orderly marketing which provides American consumers with a reliable and reasonably priced supply of foods to meet their daily needs.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and sent immediately over a leased wire network. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by the news media, as well as by mimeographed reports, telephone, tape recorder, and telegraph.

The cornerstone of the market news service is Federal-State cooperation. In 1975, forty-four States were parties to cooperative agreements with the Department; these agreements provide for Federal-State sharing of the costs of market news reporting, with each State's share based for the most part on the relationship between the national and the local significance of the service.

Selected Examples of Recent Progress:

A. Changes in the Market News Service:

Marketing patterns of agricultural commodities continue to change under the influences of weather conditions, demand, and technological advances in cultural handling, storage and shipping practices. These changing patterns require a market news system which is able to identify the shifts and then adjust to the needs adequately.

Cotton. A monthly summary on foreign crop and weather conditions was inaugurated. The Liverpool Cotton Outlook Service prepares a monthly summary report on foreign crop and weather conditions for the Weekly Cotton Market Review. Arrangements with the Foreign Agricultural Service have been made to provide marketing information on the foreign cotton situation on a more timely basis than was previously available.

Fruit & Vegetable. An exchange of market news information with Canada and Great Britain has been established. This exchange provides for the release of wholesale price information for Toronto and Montreal, Canada, and London, England.

B. Market News Activity, by Commodity Group, Fiscal Year 1975:

Commodity Group	Field Offices	Buyers and Sellers Interviewed	Number of Commodities Reported	Mimeographed Releases to Growers, Shippers and Others	Number on Mailing List	No. of Federal Reporters	No. of Markets Covered
Cotton and Cottonseed:							
Year-round	32						
Seasonal	8						
Total	40	2,486	3	723,404	25,429	47	49
Dairy	4	435	37	614,200	3,800	5	43
Fruits & Vegetables							
Year-round	25						
Seasonal	23						
Total	48	6,196	175	7,074,000	68,200	54	192
Grain & related Products	27	1,479	37	3,493,000	52,968	12	180
Livestock, Meats and Wool	45	5,925	4	1,316,304	20,102	78	355
Poultry	25	1,772	46	1,808,673	17,560	26	100
Naval Stores and Tobacco:							
Year-round	2						
Seasonal	3						
Total	5	300	3	775,000	2,000	8	177

C. Federal Cost of Service:

	1975	1976 Estimate	1977 Estimate
Total Federal cost of service	\$11,331,621	\$11,739,000	\$12,145,000
Less reimbursements ...	-411,482	-378,000	-378,000
Paid from Appropriation	10,920,139	11,361,000	11,767,000

D. Obligations by State: Following is a distribution of obligations by State for the Market News program:

	Fiscal Year		
	1975	1976 Est.	1977 Est.
Alabama	\$119,734	\$125,000	\$132,000
Alaska	--	--	--
Arizona	110,348	115,000	122,000
Arkansas	85,334	90,000	94,000
California	1,026,031	1,074,000	1,131,000
Colorado	238,266	250,000	263,000
Connecticut	--	--	--
Delaware	--	--	--
District of Columbia	3,079,543	3,152,000	3,124,000
Florida	112,770	118,000	124,000
Georgia	333,270	349,000	367,000
Hawaii	--	--	--
Idaho	32,155	33,000	35,000
Illinois	617,496	647,000	681,000
Indiana	89,815	94,000	99,000
Iowa	345,038	361,000	380,000
Kansas	73,293	77,000	81,000
Kentucky	173,452	181,000	191,000
Louisiana	72,263	76,000	80,000
Maine	41,362	43,000	46,000
Maryland	128,344	135,000	141,000
Massachusetts	140,588	147,000	155,000
Michigan	141,689	148,000	156,000
Minnesota	223,159	233,000	246,000
Mississippi	73,722	77,000	81,000
Missouri	607,981	636,000	670,000
Montana	28,750	30,000	32,000
Nebraska	156,503	164,000	173,000
Nevada	--	--	--
New Hampshire	27,707	29,000	30,000
New Jersey	293,196	307,000	323,000
New Mexico	39,605	42,000	44,000
New York	280,956	294,000	310,000
North Carolina	230,423	241,000	254,000
North Dakota	38,214	40,000	42,000
Ohio	179,557	188,000	198,000
Oklahoma	63,460	66,000	70,000
Oregon	129,450	136,000	143,000
Pennsylvania	450,401	471,000	497,000
Rhode Island	--	--	--
South Carolina	53,887	57,000	59,000
South Dakota	53,721	57,000	59,000
Tennessee	239,499	251,000	264,000
Texas	473,956	497,000	523,000
Utah	31,569	33,000	35,000
Vermont	--	--	--
Virginia	7,432	8,000	8,000
Washington	108,081	113,000	119,000
West Virginia	32,167	33,000	35,000
Wisconsin	79,159	83,000	87,000
Wyoming	56,793	60,000	63,000
TOTAL	<u>10,920,139</u>	<u>11,361,000</u>	<u>11,767,000</u>

2. Inspection, Grading, Classing, and Standardization:

Current Activities: These programs assist in the marketing of agricultural products. This is done by (1) establishing national standards for all major agricultural commodities, which reflect quality and condition; (2) developing equipment and methods by which these standards may best be applied; (3) broadening the use of such standards through demonstrations, training courses, bulletins, and distribution of photographs, copies of standards, etc; (4) providing an inspection, grading, and classing service based on these standards; and (5) administering and enforcing laws for the continuous inspection of egg products shipped in interstate, intrastate and foreign commerce, and those requiring the use of official U.S. standards for all cotton and cotton linters sold by grade and shipped in interstate and foreign commerce, for grain sold in foreign commerce, and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress:

A. Standardization and related activities:

1. Livestock & Meat - A USDA proposal to revise the quality grade standards for beef was published in the Federal register on September 11, 1974. More than 4,500 comments were received on the proposal and a decision was made to adopt the revision, to be effective April 14, 1975. A group of independent packers obtained a permanent injunction in the U.S. District Court in Omaha which prevented implementation of the changes. The injunction was appealed to the U.S. 8th Circuit Court of Appeals in St. Louis which reversed the lower court decision. Barring further appeals, the revised standards will be implemented.
2. Fruit and Vegetable - The 12th session of the Codex Committee on Processed Fruits and Vegetables was held in Washington, D.C. in May 1975. Representatives and observers from 30 countries and five international organizations attended the session. Four standards were reviewed, revised or written, three were proposed for consideration in the future, and three were advanced by the Committee for transmission to the Codex Alimentarius Commission for consideration and appropriate action.

3. New and Revised Standards:

	<u>1975</u>	<u>1976 Est.</u>	<u>1977 Est.</u>
International and U.S. standards in effect,			
June 30	622	627	637
Number of commodities covered	320	325	331
 New standards issued	2	7	7
New standards in process, June 30	10	11	7
Requests pending for new standards, June 30	16	8	10
 Standards revised	19	61	21
Standards being revised, June 30	39	25	18
Requests pending for revision of			
standards, June 30	28	8	6

B. Inspection, Grading and Classing:

1. Cotton Classing - A total of 11.5 million samples were classed during the fiscal year, compared to 12.9 million samples in Fiscal Year 1974. Smith-Doxey classing for farmers accounted for 10.9 million samples, a decrease of 1.2 million from last year. Classing for farmers during the 1975 fiscal year represented 97 percent of total ginnings. There were no classings for CCC sales programs last year.

The Board of Cotton Linters Examiners classed 1,140 linters samples under the United States Cotton Standards Act.

Licensed cottonseed chemists issued about 62,000 cottonseed grade certificates which represented about 65 percent of cottonseed production. Licenses were issued to 35 cottonseed chemists and 141 cottonseed samplers.

Number of Cotton Classifications and Related Data - 1975-1976:

	Number (Thousand)	
	1975 (Actual)	1976 (Estimated)
<u>Cotton Classifications:</u>		
Statistics and Estimates Act	69	70
Smith-Doxey Amendment	10,934	9,500
Cotton Standards Act:		
Public Classing Service	173	80
Federal Penitentiary (reimbursement)	26	25
CCC (reimbursement)	--	--
P.L. 480 (reimbursement)	--	10
Cotton Futures Legislation	305	300
Other	18	15
Total, Cotton Classifications	11,525	10,000
<u>Cotton Fiber Tests</u>	362	400
<u>Cotton Linters Classifications:</u>		
Cotton Standards Act	1	1

2. Dairy Products - A total of 2.0 billion pounds of dairy and other food products were inspected or graded in Fiscal Year 1975. This represents an 18 percent increase over the previous year when the volume figure was 1.7 billion. This workload increase was accomplished with 17 percent less man-hours than in FY 1974.

The principle factor responsible for the volume increase was the Commodity Credit Corporation's purchases of manufactured dairy products under the government's price support program. Sales to the CCC were up 43 percent from last year.

During FY 1975, 36 percent of the workload was associated with government purchases as compared with only 19 percent the previous year. This work includes grading butter, Cheddar cheese, nonfat dry milk for intended sale to the CCC; regrading government storage stocks to determine the keeping properties of such products; and grading and inspecting the repackaging or processing of government-owned butter and cheese for distribution under the National School Lunch Program, needy person donations and foreign sales.

Inspection and grading on products manufactured in plants having the Resident Program accounted for 46% of the total volume of gradings performed last year. The breakdown is as follows: 405 million pounds of nonfat dry milk, 444 million pounds of butter, 40 million pounds of cheese, and 27 million pounds of cottage cheese, sterilized milk, dry whey, buttermilk, and ice cream mix. The number of plants using the Resident Program declined by three this past year making the current total 35.

3. Fruits and Vegetables - The overall volume of fresh products inspected during the year surpassed that of last year by almost two billion pounds. This represents a three percent increase and is the largest volume inspected in a single year. Receiving market inspection volume equaled that of last year. Shipping point inspection volume was up three percent over that of the previous year. All categories of shipping point work showed increases.

The volume of processed fruits and vegetables inspected under in-plant inspection increased approximately one percent from fiscal year 1974. This increase occurred largely in the plants with continuous inspection service, whereas volume under other types of in-plant service actually decreased.

	Canned			Frozen		
	1973	1974	1975	1973	1974	1975
	(million pounds)*			(million pounds)		
Continuous	5,911	7,012	6,837	3,832	4,343	4,784
Other In-Plant ...	866	423	345	444	225	154
Total	6,777	7,435	7,182	4,276	4,568	4,938

*Basis 30 pounds per case.

4. Grain Inspection and Appeal Activities under the U.S. Grain Standards Act: Recent investigations into irregular and illegal grain inspection activities performed by licensed inspectors has resulted in an increase in the number of appeals requested. As a result, Grain Division was reorganized to improve its supervision of these licensed inspectors, and to restore confidence in the grain inspection system.

	Fiscal Year	
	1975 Actual	1976 Estimated
<u>Inspection Services:</u>		
Million bushels produced	9,266	11,500
Million bushels inspected	9,000	10,500
Number of inspections	3,400,000	4,000,000
Inspections Federally supervised (excluding appeals)	60,926	75,000
Percent of inspections supervised (including appeals)	2.6	2.7
<u>Appeal Services:</u>		
Number of appeals referred	29,000	33,000
Original grades sustained (percent)	79	80
Appeals carried to Appeals Board ...	400	400
Original grades sustained by Appeals Board (percent)	74	80

5. Meat Grading - Beef that was quality graded during FY 1975 totaled 11.7 billion pounds, a decrease of half a billion pounds from last year. The volume of veal and calf graded more than tripled, increasing 69 million pounds to reach a level of more than 87 million pounds for the year. These changes in grading volume are attributed to (1) high feed costs in relation to slaughter values which reduced the number of fed cattle marketed and increased the number of calves slaughtered, and (2) merchandising efforts on veal and calf by some chain stores which brought an increased demand for such graded product. The amount of beef which was yield graded increased 1.3 billion pounds, reflecting continued concern about excess fat on beef. The amount of beef yield graded was 77 percent of the amount that was quality graded, compared to 62 percent in the previous year.
6. Poultry Products - A total of 780 resident plants received official grading and egg products inspection services at some time during the year. On June 30, 1975, there were 704 different plants which had a total of 760 individual applications in force for the grading of poultry and shell eggs and inspection of egg products. That is a decrease of 21 poultry plants, 5 shell egg plants, and 3 egg products plants from a year ago. The decreases in shell egg and poultry plants were due mainly to the severe economic situation and the uncertainties which prevailed in the poultry industry. Most of the resident plants that survived operated at a reduced volume for part of the year. Those plants that did not retain grading service canceled due to financial problems, mergers, etc.

VOLUME OF POULTRY AND EGGS PROCESSED AND GRADED IN
OFFICIAL USDA PLANTS IN FISCAL YEARS 1974-1975

	Volume Processed in Official Plants <u>1/</u>		Volume of Products Inspected and/or Graded/Regraded <u>2/</u>	
	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1974</u>	<u>FY 1975</u>
Poultry (excl. Turkeys) (mil. lbs. ready-to-cook)	8,587	8,255	6,415	6,483
Turkeys (mil. lbs. ready-to-cook)	1,910	1,713	1,894	1,980
Rabbits (mil. lbs. ready-to-cook)	1	2	1	2
Liquid/Frozen Eggs (thou. lbs.)	702,991	665,005	724,387	686,337
Dried Eggs <u>3/</u> (thou. lbs.)	74,237	61,028	75,164	61,796
Shell Eggs (mil. doz.)	2,554	2,494	1,806	1,798

1/ Poultry processed in official plants refers to quantities certified as wholesome, egg products refers to quantities processed under continuous inspection by USDA, and shell eggs refers to eggs handled in plants under the voluntary grading program.

2/ Includes product regraded in plants and terminal markets.

3/ Includes reconstituted product.

7. Volume of Tobacco Inspected by Class, Fiscal Year 1975 and Estimated 1976:

	Number of Auction Markets Designated and Inspected	Sets of Buyers	Quantity Inspected and Sold (Thousand Pounds)
<u>Auction Markets:</u>			
Flue-cured	94	72	1,291,165
Fire-cured	8	8	26,628
Dark air-cured	9	5	12,119
Burley	60	71	666,948
Maryland	4	5	34,887
Total Auction Markets	175	161	2,031,747
<u>Cooperative Marketing Associations:</u>			
Auction types	---	---	26,965
Non-auction types	---	---	6,671
Total Cooperative Marketing Associations	---	---	33,636
Total, 1975	175	161	2,065,383
Estimated 1976 (auction markets only)	175	155	2,250,000

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Actual Obligations for Inspection, Grading, Classing, and Standardization
and Cost of Program to Taxpayer, by Work Project
Fiscal Year 1975

Budget Project	Total Program Obligations	Paid from Revenue Earned		Paid From Appropriation	Income to General Revenue Fund of Treasury	Net Cost		Percent of Total Cost	
		Reimbursed to: Appropriation	Trust Funds			to Taxpayer	Charged to Taxpayer	Covered by Revenue	
				INSPECTION, GRADING, AND CLASSING					
Cotton	\$ 8,968,933	\$ 276,881	\$ 59,608	\$ 336,489	\$ 8,632,444	\$ 7,662,185	85.4		14.6
Dairy products	3,102,620	---	3,102,620	3,102,620	---	---	---		100.0
Egg inspection	5,487,470	229,669	---	229,669	5,257,801	5,257,801	95.8		4.2
Fruits & Vegetables	15,587,427	19,062	14,976,729	14,995,791	591,636	3,587	3.8		96.2
Grain	5,185,968	2,071,305	---	2,071,305	3,114,663	379	60.1		39.9
Livestock	10,713,319	---	10,713,319	10,713,319	---	---	---		100.0
Naval Stores	27,613	---	3,042	3,042	24,571	24,571	89.0		11.0
Poultry products	9,007,828	6,718	8,785,058	8,791,776	216,052	437	2.3		97.7
Rice, Hay, Beans, etc.	3,700,951	---	3,700,951	3,700,951	---	---	---		100.0
Tobacco	5,538,553	369,613	---	369,613	5,168,940	5,240	93.2		6.8
Total	67,320,682	2,973,248	41,341,327	44,314,575	23,006,107	979,902	32.7		67.3
				STANDARDIZATION					
Cotton	552,854	---	---	---	552,854	508,101	91.9		8.1
Dairy products	155,196	---	---	---	155,196	155,196	100.0		---
Fruits & Vegetables	692,642	---	1,131	1,131	691,511	691,511	99.8		.2
Grain	384,182	---	---	---	384,182	384,173	100.0		---
Livestock	395,892	---	---	---	395,892	395,689	99.9		.1
Naval Stores	12,793	---	---	---	12,793	12,793	100.0		---
Poultry products	121,336	---	---	---	121,336	121,319	100.0		---
Rice, Hay, Beans, etc.	131,413	---	---	---	131,413	131,413	100.0		---
Tobacco	118,325	---	---	---	118,325	117,666	99.4		.6
Total	2,564,633	---	1,131	1,131	2,563,502	2,517,861	98.2		1.8
				TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION					
Cotton	9,521,787	276,881	59,608	336,489	9,185,298	8,170,286	85.8		14.2
Dairy products	3,257,816	---	3,102,620	3,102,620	155,196	155,196	4.8		95.2
Egg inspection	5,487,470	229,669	---	229,669	5,257,801	5,257,801	95.8		4.2
Fruits & Vegetables	16,280,069	19,062	14,977,860	14,996,922	1,283,147	3,587	7.9		92.1
Grain	5,570,150	2,071,305	---	2,071,305	3,498,845	388	62.8		37.2
Livestock	11,109,211	---	10,713,319	10,713,319	395,892	203	3.6		96.4
Naval Stores	40,406	---	3,042	3,042	37,364	37,364	92.5		7.5
Poultry products	9,129,164	6,718	8,785,058	8,791,776	337,388	454	3.7		96.3
Rice, Hay, Beans, etc.	3,832,364	---	3,700,951	3,700,951	131,413	131,413	3.4		96.6
Tobacco	5,656,878	369,613	---	369,613	5,287,265	5,899	93.4		6.6
Total	69,885,315	2,973,248	41,342,458	44,315,706	25,569,609	24,544,066	35.1		64.9

1/ 5,135 bales of loose cotton at an estimated value of \$645,000 were used by the Federal Penitentiary in Atlanta, Georgia. If sold on the open market the net cost to the taxpayer of the cotton classing program would be reduced.

2/ Reimbursement to the U.S. Grain Standards Act Fund (12X2500).

8. Obligations by State: Following is a distribution of obligations by State for the Inspection, Grading, Classing, and Standardization program:

	Fiscal Year		
	<u>1975</u>	<u>1976 Est.</u>	<u>1977 Est.</u>
Alabama	\$475,320	\$773,000	\$806,000
Alaska	1,047	1,000	1,000
Arizona	298,181	311,000	328,000
Arkansas	614,990	708,000	739,000
California	1,740,004	2,051,000	2,139,000
Colorado	142,932	217,000	226,000
Connecticut	38,038	40,000	43,000
Delaware	5,435	6,000	7,000
District of Columbia	5,517,289	6,096,000	6,358,000
Florida	71,538	75,000	80,000
Georgia	434,766	452,000	474,000
Hawaii	9,939	11,000	11,000
Idaho	31,289	75,000	78,000
Illinois	783,078	1,116,000	1,159,000
Indiana	188,126	264,000	275,000
Iowa	505,891	660,000	687,000
Kansas	181,810	298,000	307,000
Kentucky	1,433,732	1,489,000	1,599,000
Louisiana	589,089	1,590,000	1,627,000
Maine	18,398	18,000	20,000
Maryland	345,070	468,000	485,000
Massachusetts	47,983	50,000	53,000
Michigan	68,566	72,000	76,000
Minnesota	491,932	925,000	952,000
Mississippi	723,583	751,000	789,000
Missouri	412,728	627,000	650,000
Montana	9,426	11,000	11,000
Nebraska	275,277	396,000	413,000
Nevada	32	--	--
New Hampshire	49,230	50,000	53,000
New Jersey	148,944	154,000	162,000
New Mexico	110,438	115,000	119,000
New York	213,001	220,000	232,000
North Carolina	3,090,975	3,208,000	3,470,000
North Dakota	56,161	101,000	104,000
Ohio	228,005	436,000	448,000
Oklahoma	271,997	282,000	295,000
Oregon	150,126	418,000	429,000
Pennsylvania	316,302	498,000	516,000
Rhode Island	9,078	11,000	11,000
South Carolina	300,424	311,000	328,000
South Dakota	75,861	80,000	83,000
Tennessee	2,253,055	2,338,000	2,456,000
Texas	2,311,138	2,887,000	3,010,000
Utah	27,957	29,000	30,000
Vermont	14,767	16,000	17,000
Virginia	79,602	277,000	283,000
Washington	193,913	337,000	349,000
West Virginia	8,558	8,000	8,000
Wisconsin	116,914	122,000	129,000
Wyoming	3,074	3,000	3,000
Puerto Rico	84,600	87,000	93,000
TOTAL	<u>25,569,609</u>	<u>31,539,000</u>	<u>33,021,000</u>

9. Commodities Inspected and Graded on a Fee Basis (Agricultural Marketing Act)
Fiscal Years 1974-1975:

	(In Million Pounds)	
	1975	1976 (est.)
<u>Fresh fruits and vegetables:</u>		
Receiving markets	3,854	4,244
Shipping points	61,387	62,070
<u>Processed fruits and vegetables:</u>		
Canned	8,273	7,000
Frozen, dried and other	6,331	6,000
<u>Dairy products:</u>		
Butter, cheese, milk, etc.	2,007	2,250
<u>Poultry products:</u>		
Shell eggs (million dozen)	1,798	1,850
Processed eggs	748	756
Poultry	8,462	8,800
<u>Grain and related products:</u>		
Rice, beans, peas	12,827	14,700
Hops	57	50
Hay and straw	--	--
Miscellaneous commodities	2,100	2,000
<u>Meat and meat products graded:</u>		
Beef	20,646	22,590
Veal and calf	88	82
Lamb and Mutton	314	292
Miscellaneous	1,102	603
Total, meat and meat products	22,150	23,567
<u>Cotton Micronaire</u> (no. of samples, thousands)	269	250
<u>Naval Stores:</u>		
Rosin	15	14
Turpentine	3	2

10. Revision in Fees and Charges in Fiscal Year 1975 and Fiscal Year 1976:

(Through December 31, 1975)

Commodity and Service	Action on Fees	Effective
<u>DAIRY:</u>		
Inspection and Grading Service		
performed on an hourly basis	Increased from \$13.20 per hour:	
	plus expenses to \$16.00 per	
	hour plus expenses from 6 a.m.:	
	to 6 p.m.	7/3/74
	Increased from \$16.00 per hour:	
	plus expenses to \$17.00 per	
	hour plus expenses from 6 a.m.:	
	to 6 p.m.	11/9/75
	Increased from \$14.52 to	
	\$17.60 per hour from 6 p.m	
	to 6 a.m.	7/3/74
	Increased from \$17.60 to	
	\$18.70 per hour from 6 p.m.	
	to 6 a.m.	11/9/75

Commodity and Service	Action on Fees	Effective
Services performed on a continuous non-resident basis	Increased from \$15.60 to \$18.60 per hour from 6 a.m. to 6 p.m.	7/3/74
	Increased from \$18.60 to \$21.20 per hour from 6 a.m. to 6 p.m.	11/9/75
	Increased from \$16.92 to \$20.20 from 6 p.m. to 6 a.m.	7/3/74
	Increased from \$20.20 to \$23.32 from 6 p.m. to 6 a.m.	11/9/75
	Increased from \$22.20 to \$26.60 per hour - holidays, Saturdays and Sundays	7/3/74
	Increased from \$26.60 to \$31.80 per hour - holidays, Saturdays and Sundays	11/9/75
Services performed on a continuous resident basis	Increased from resident's salary plus 50% to \$12.00 per hour plus expenses	8/19/74
	Increased from \$12.00 per hour to \$13.00 per hour plus expenses	11/9/75
Laboratory Services on an hourly basis	Increased from \$14.30 to \$18.00 per hour	7/3/74
<u>FRUIT AND VEGETABLE:</u>		
In-plant inspection:		
(a) Seasonal	Increased from \$15.70, \$11.50, \$5.55 to \$17.30, \$12.70, \$6.10	11/10/74
	Increased from \$17.30 to \$19.40, with \$12.70 and \$6.10 deleted	10/12/75
(b) Year-round	Increased from \$10.10, \$7.35, \$5.55, \$11.00, \$8.10 to \$11.10, \$8.10, \$6.10, \$12.10, \$8.90	11/10/74
	Increased from \$11.10 to \$13.40, \$8.10 and \$6.10 deleted, and increases of \$12.10 to \$15.40, \$8.90 to \$11.40	10/12/75

Commodity and Service	Action on Fees	Effective
<u>FRUIT AND VEGETABLE</u> (Cont'd):		
Lot inspection (hourly rate)	\$14.80 to \$17.40	10/12/75
Quality and Condition Inspection (Fresh Inspection on a carlot basis)	\$21.00 to \$24.00 on 1/2 to 1 carlot	12/8/74
	\$24.00 to \$26.00 on 1/2 to 1 carlot	10/12/75
	\$18.00 to \$20.00 on 1/2 carlot or less	12/8/74
	\$20.00 to \$22.00 on 1/2 carlot or less	10/12/75
	\$42.00 to \$48.00 on multi- product carlot	12/8/74
	\$48.00 to \$52.00 on multi- product carlot	10/12/75
Condition Inspection (Fresh Inspection on a carlot basis)	\$18.00 to \$20.00 on 1/2 to 1 carlot	12/8/74
	\$20.00 to \$22.00 on 1/2 to 1 carlot	10/12/75
	\$16.00 to \$18.00 on 1/2 carlot or less	12/8/74
	\$18.00 to \$20.00 on 1/2 carlot or less	10/12/75
	\$36.00 to \$40.00 on multi- product carlot	12/8/74
	\$40.00 to \$44.00 on multi- product carlot	10/12/75
	\$3.25, \$4.25, \$6.00, \$9.00 to \$4.00, \$5.00, \$7.00 and \$11.00: for small lot, not requiring detailed reports	12/8/74
Hourly rate (Fresh Inspection)	\$11.00 to \$12.00 per hour	12/8/74
	\$12.00 to \$13.00 per hour	10/12/75
Additional hourly charge for over- time or holiday work	\$5.00 to \$6.00 per hour	12/8/74
	\$6.00 to \$6.50 per hour	10/12/75
Inspection of Farmers' Stock Peanuts	\$1.80 to \$2.00 per ton	10/12/75

Commodity and Service	Action on Fees	Effective
<u>GRAIN:</u>		
Inspection and grading of rice, hay, beans, peas, hops, seeds, and miscellaneous agricultural commodities:		
(a) Commodities other than rice (hourly rates)	Increased from \$11.20 to \$12.20 per hour	7/1/74
	Increased from \$12.20 to \$14.60 per hour	11/9/75
(b) Inspection of rough, brown, and milled rice	Changed from CWT rate to \$14.40 per hour (commitment rate) and \$19.40 per hour (non-commitment rate)	1/5/75
<u>LIVESTOCK:</u>		
Meat Grading Service:		
Monday through Friday between 6:00 a.m. and 6:00 p.m.	Increased from \$13.80 to \$14.60 per hour	11/3/74
	Increased from \$14.60 to \$16.20 per hour	10/26/75
Saturday, Sunday, and Monday through Friday between 6:00 p.m. and 6:00 a.m.	Increased from \$16.00 to \$17.60 per hour	11/3/74
<u>POULTRY:</u>		
Grading of Poultry, Poultry Products and Eggs:		
Services performed by a resident grader	Changed from variable rates to \$7.03 and \$8.72	1/5/75
	Increased from \$7.03 to \$7.56 and \$8.72 to \$9.36	11/9/75
Services performed by a non-resident grader	Increased from \$9.20 to \$12.00 per hour for regular time	7/1/74
	Increased from \$12.00 to \$14.00 per hour for regular time	11/9/75

Commodity and Service	Action on Fees	Effective
<u>POULTRY (Cont'd):</u>		
Services performed by a non-resident grader (cont'd)	Increased from \$11.40 to \$15.00 per hour for Saturday, Sundays and legal holidays	7/1/74
	Increased from \$15.00 to \$18.48 per hour for Saturday, Sundays and legal holidays	11/9/75
Laboratory service	Increased from \$11.40 to \$13.20 per hour	7/1/74
	Increased from \$13.20 to \$15.40 per hour	11/9/75

3. Regulatory Activities:

Current Activities: Several marketing regulatory laws are administered by AMS. These include Section 201 of the Agricultural Adjustment Act of 1938, the Federal Seed, U.S. Warehouse, Export Apple and Pear, Export Grape and Plum, Tobacco Seed and Plant Exportation, Naval Stores, Agricultural Fair Practices, Plant Variety Protection, Cotton Research and Promotion, Egg Research and Consumer Information, and Wheat Research and Promotion Acts. These laws regulate various marketing activities and the administration of each includes one or more of the following: (1) licensing or registration; (2) supervising operations of licensees or registrants; (3) collecting and testing samples; (4) ascertaining the reasonableness of rates and charges; (5) suspension or revocation of licenses or registrations; (6) determination of adequacy of bond coverage; (7) audits of books and records; (8) investigating complaints and violations; (9) settling disputes; (10) handling of violations; (11) assistance to producers in obtaining and maintaining equitable and reasonable transportation rates and services for farm products and supplies; (12) legal protection to developers of new varieties of plants which reproduce sexually; and (13) surveillance of activities conducted in accordance with the provisions of the Cotton and Wheat Research and Promotion Acts.

Selected Examples of Recent Progress:

A. Federal Seed Act:

This law applies to agricultural and vegetable seeds moving in interstate and foreign commerce. It requires truthful labeling, prohibits false advertising, restricts the distribution of noxious-weed seeds, and establishes germination standards for vegetable seed moving in interstate and foreign commerce. Under memorandum of agreement with all States, State seed inspectors cooperate in the enforcement of this Act. The U.S. Customs Service cooperates with AMS to enforce provisions of the Act relating to imported seed.

1. Interstate Enforcement. In Fiscal Year 1975, 805 complaints of violations of the interstate provisions of the Federal Seed Act were received--63 less than in the previous fiscal year. Apparent violations of the Act were reported by 33 States, two less than in 1974. The number of prosecutions recommended increased from 78 in 1974 to 113 in 1975. The number of prosecutions initiated in court decreased from 19 to 15 in 1975. About 539 State seed inspectors are authorized to inspect seed subject to the Act.

A summary of interstate enforcement activities is shown in the following table:

Interstate Activity	Fiscal Year		
	1975	1976 Est.	1977 Est.
<u>Cases for Investigation:</u>	:	:	:
Total to be investigated	2,403	2,400	2,200
Investigations completed	791	1,000	1,200
Pending at end of year	1,612	1,400	1,000
<u>Administrative Actions:</u>	:	:	:
No action warranted	137	150	150
Warnings issued	531	600	650
Cited for hearings	123	350	400
Seizures recommended (complaints)	0	3	3
Prosecutions recommended (complaints)	113	180	180
<u>Court Actions:</u>	:	:	:
Prosecutions initiated (court cases)	15	35	35
Prosecutions pending at end of year	18	35	35
Seizure actions terminated	0	13	3
Seizure actions pending at end of year ...	10	0	0

2. Import Enforcement. Importations of agricultural and vegetable seeds from other countries amounted to 95 million pounds, valued at \$36 million in fiscal year 1975. This is a 52 percent increase over the previous fiscal year's volume.

Of the 7,266 lots of seed offered for importation, 416 lots were refused admission based on preliminary tests. Assorted dispositions were made of these lots and finally 7,205 lots were admitted.

Import work is shown in the following table:

Activity	Fiscal Year		
	1975	1976 Est.	1977 Est.
Total import actions <u>1/</u>	7,615	7,500	7,500
Lots offered for import	7,266	7,500	7,500
Lots permitted entry	7,205	7,300	7,300
Lots denied entry	416	500	500
Kinds of seed imported	139	125	125
Pounds of seed imported (millions) ...	95	80	80

1/ Includes action taken on lots rejected once and acted on again after cleaning, etc.

3. Seed Testing. The volume of testing done on both foreign and domestic seed is shown in the following table:

Activity	Fiscal Year		
	1975	1976 Est.	1977 Est.
Seed samples tested in connection with:	:	:	:
Imports	8,160	8,200	8,200
Interstate shipments	1,509	1,700	2,500
Standardization	1,482	1,500	1,500
Service testing	1,241	1,400	1,400

B. Naval Stores and Tobacco Export Permits:

1. Naval Stores Act (Regulatory Provisions):

The regulatory aspect of this law protects users, particularly at the retail level, against adulteration of naval stores, misleading labeling, and short weight. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

Regulatory activities in connection with Naval Stores have been reduced to a minimum level because of the rapidly decreasing significance of turpentine in small containers for retail sale, and the lack of discovery of significant violations in recent years. A testing operation was maintained for analysis and testing of a limited number of samples of turpentine.

2. Tobacco Seed and Plant Exportation Act:

This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U.S. except for experimental purposes. In Fiscal Year 1975, 50 certificates were issued for the export of tobacco seed to be used for experimental purposes.

C. U.S. Warehouse Act:

The primary objectives of this law are to (1) protect producers and others, including the Commodity Credit Corporation, who store their property in public warehouses; (2) assure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, the Agricultural Marketing Service licenses and bonds public warehousemen storing agricultural products, licenses weighers, graders and samplers of such products, and supervises the operations of those licensed to assure compliance with the Act.

Applications for licenses are filed by warehousemen on a voluntary basis. Before licensing, the applicant's storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for periodic examinations of (1) the financial condition of the licensee; (2) the adequacy of warehouse records; and (3) the condition and contents of the warehouse. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products, and are vital instruments in the marketing and financing of the products--the aggregate value of which may be \$7 billion or more at any one time.

1. Licensing Activity. Licensing activity increased during Fiscal Year 1975 with 232 new licenses and 424 amended licenses issued. The total of 656 such actions is 109 more than the volume of the preceding year. During the year, 139 licenses were terminated and 7 suspended. Two suspensions were subsequently lifted.

Licensed storage capacity for cotton increased from 11,561,000 bales to 11,830,000 bales. Licensed grain capacity increased from 1,962 million bushels to 2,104 million bushels. Approximately 40 percent of the Nation's commercial grain storage capacity and 60 percent of the commercial cotton storage capacity are now licensed.

The following table illustrates the trend in the total number of licenses, and capacity of licensed cotton and grain warehouses:

	: As of June 30			
	: 1975	: 1976 Est.	: 1977 Est.	
Total number of licenses	: 1,839	: 1,931	: 1,985	
Capacity: Cotton (million bales) ..	: 11.8	: 12.1	: 12.3	
Grain (million bushels) .	: 2,104	: 2,225	: 2,292	

2. Supervisory Examination Activity. Licensed warehouses were examined at a rate of 2.12 examinations per year per cotton warehouse (2.06 in 1974), and 1.78 examinations per grain warehouse (1.87 in 1974). Total supervisory examinations were 3,389 in 1975 or 2 percent more than in 1974.

The following table reflects the warehouse examination workload:

	: Fiscal Year			
	: 1975	: 1976 Est.	: 1977 Est.	
<u>Cotton</u>				
Examiner man-years	: 15.0	: 13.3	: 13.6	
Licensed capacity as of June 30				
(thousand bales)	: 11,830	: 12,053	: 12,276	
Percentage of average occupancy				
to total capacity	: 16.4	: 16.4	: 16.4	
<u>Grain</u>				
Examiner man-years	: 52.4	: 52.3	: 52.1	
Licensed capacity as of June 30				
(million bushels)	: 2,014	: 2,225	: 2,292	
Workload per man-year (million				
bushels)	: 40.2	: 42.5	: 44.0	

D. Transportation Services:

This program aids farmers and shippers of agricultural commodities to secure efficient and economical transportation rates and services for farm products moving to storage, processing plants, and to markets. It also assists farmers with transportation problems concerning the movement of farm supplies to production areas.

In recent years agricultural shippers have become more and more concerned with railroad bankruptcies and mergers which bring about cessation of rail service and elimination of duplicate service between major terminals. The merger situation has prompted the carriers to seek abandonment of large segments of mainline trackage and low-revenue producing branch lines. In the years from 1960 to 1972 an average of 1,000 miles of rail line was abandoned each year. Many of these lines were in rural areas. The Department is seeking solutions that would retain the essential transportation services for rural areas served by railroads.

In January 1974, the Regional Rail Reorganization Act was enacted to restructure the railroad system in 17 States in the Midwest and Northeast. Since this legislation calls for abandonment of extensive trackage, the Department has taken an active role to help inform agricultural interests of the impact of the restructuring proposal.

An additional concern to the agricultural transporters during this past fiscal year was the serious financial difficulties experienced by the independent owner-operator truckers. Truckers of exempt agricultural commodities are vital to the efficient and timely transport of agricultural commodities, especially

perishables. The Department has assisted in the development of solutions to the problems of truckers by participation in ICC case MC-43 which attempts to determine the extent and conditions of trip-leasing arrangements.

During FY 1975, the Department received notices of 11,100 proposed rate adjustments on agricultural commodities and farm supplies, and notices of 879 actions involving proceedings before regulatory agencies. Fifteen actions were taken with carrier rate-making bureaus and 43 actions were taken before regulatory agencies.

E. Export Fruit Acts:

This project includes administration of the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960. Both laws were enacted to promote foreign trade of these U.S.-grown fruits. These laws protect the reputation of American-grown apples, pears, grapes and plums in foreign markets, prevent deception or misrepresentation as to the quality of such products, and provide for commercial inspection of them. During Fiscal Year 1975, 55 carriers' offices were visited. Seventy-nine exporters and 750 lots of fruits were involved. The Acts and regulations were explained to carrier personnel, and files were checked for compliance.

F. Cotton Research and Promotion Act:

The Cotton Research and Promotion Act was enacted on July 13, 1966, "to enable cotton growers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton." The Act, and the Secretary of Agriculture's order issued pursuant to the Act, provide for a producer assessment of \$1 on each bale of upland cotton to carry out a program of research and promotion for cotton.

Continuing surveillance of the program is made by the Department to insure that operations are carried out in accordance with the Act and Order.

Through June 30, 1975, the Cotton Board had collected \$1 per bale assessments on 9,800,000 bales of upland cotton from the 1974-1975 crop. This is equivalent to 87.1 percent of total upland ginnings.

Refunds were made to producers on 1,220,000 bales of 1974-1975 upland cotton. This is about 12.4 percent of collections through June 30, 1975. Refunds on 1973-1974 crop cotton were equivalent to 10.4 percent of collections.

G. Plant Variety Protection Act:

The Plant Variety Protection Act was passed on December 24, 1970. Its purpose is to encourage the development of novel varieties of sexually reproduced plants and to make them available to the public, providing protection to those who breed, develop or discover them.

A Plant Variety Protection Office has been established in the Agricultural Marketing Service to administer the provisions of the Act. This Office issues certificates of plant variety protection to developers of novel varieties of sexually reproduced plants, providing them with exclusive rights to sell, reproduce, import or export such varieties, or use them in the production of hybrids or different varieties for a period of 17 years.

A total of 104 applications for protection of new varieties of seed were received, compared to 105 in 1974. A total of 274 were pending action at the end of the year. Searches were conducted (to determine whether the seed constituted a new variety) on 116 applications and 105 certificates of protection were issued. Fifteen applications were abandoned after filing.

H. Federal Cost of Regulatory Activities:

	<u>1975</u>	<u>1976 Est.</u>
Total cost of activity	\$3,646,551	\$4,262,000
Less reimbursements	<u>-7,146</u>	<u>-23,000</u>
Paid from appropriation	3,639,405	4,239,000
Less income to General Revenue Fund of the Treasury	<u>-253,420</u>	<u>-253,000</u>
Net Cost to taxpayer	<u>3,385,985</u>	<u>3,986,000</u>
Percent of total cost charged to taxpayer ..	92.9	93.5
Percent of total cost covered by revenue ...	7.1	6.5

I. Obligations by State: Following is a distribution of obligations by State for Regulatory activities:

	<u>Fiscal Year</u>		
	<u>1975</u>	<u>1976 Est.</u>	<u>1977 Est.</u>
Alabama	\$79,735	\$94,000	\$97,000
Arkansas	37,542	44,000	45,000
California	112,091	132,000	136,000
Colorado	17,654	20,000	21,000
District of Columbia	1,032,237	1,170,000	1,092,000
Georgia	171,639	202,000	208,000
Idaho	25,873	30,000	31,000
Illinois	131,842	155,000	159,000
Indiana	114,282	134,000	138,000
Iowa	89,468	105,000	108,000
Kansas	281,510	332,000	341,000
Louisiana	5,975	7,000	7,000
Maryland	425,257	501,000	515,000
Michigan	7,527	9,000	9,000
Minnesota	43,899	52,000	53,000
Missouri	111,582	131,000	135,000
Montana	19,667	23,000	24,000
Nebraska	76,360	89,000	92,000
New Jersey	65,190	77,000	79,000
New York	2,667	3,000	3,000
North Carolina	48,254	56,000	58,000
North Dakota	64,949	77,000	79,000
Ohio	7,057	9,000	9,000
Oklahoma	27,713	32,000	33,000
Oregon	116,421	137,000	141,000
Pennsylvania	221	1,000	1,000
South Dakota	38,624	46,000	47,000
Tennessee	291,452	343,000	353,000
Texas	183,143	216,000	222,000
Washington	402	1,000	1,000
Wisconsin	<u>9,172</u>	<u>11,000</u>	<u>11,000</u>
 TOTAL	 <u>3,639,405</u>	 <u>4,239,000</u>	 <u>4,248,000</u>

4. Commodity Program Operating Expenses:

Obligations by State: Following is a distribution of obligations by State for Commodity Program Operating Expenses:

	Fiscal Year		
	<u>1975</u>	<u>1976 Est.</u>	<u>1977 Est.</u>
California	--	--	\$70,000
District of Columbia	--	--	1,721,000
Georgia	--	--	72,000
Illinois	--	--	341,000
Kansas	--	--	1,362,000
Maryland	--	--	24,000
New York	--	--	97,000
Texas	--	--	98,000
 TOTAL	 ==	 ==	 <u>3,785,000</u>

5. Marketing Agreements and Orders:

Obligations by State: Following is a distribution of obligations by State for the Marketing Agreements and Orders program:

	Fiscal Year		
	<u>1975</u>	<u>1976 Est.</u>	<u>1977 Est.</u>
California	--	--	\$359,000
Colorado	--	--	45,000
District of Columbia	--	--	3,175,000
Florida	--	--	75,000
Georgia	--	--	2,000
Illinois	--	--	51,000
Maryland	--	--	84,000
New York	--	--	3,000
Oregon	--	--	111,000
Texas	--	--	47,000
Undistributed	--	--	314,000
 TOTAL	 ==	 ==	 <u>4,266,000</u>

(b) Payments to States and Possessions

Appropriation Act, 1976	\$1,600,000
Budget Estimate, 1977	--
Decrease in Appropriation	<u>-1,600,000</u>

PROJECT STATEMENT

Project	: 1975	: 1976	: Increase	: 1977
	: Actual	: Estimated	: or	: Estimated
			: Decrease	
Payments for marketing				
service work under				
Section 204(b) of the				
Agricultural Marketing				
Act of 1946	\$310,945:	--	--	--
Unobligated balance	1,289,055:	--	--	--
Proposed rescission	--	\$1,600,000(a):	-\$1,600,000(1):	--
Total Appropriation	1,600,000:	1,600,000	-1,600,000	--

(a) A request has been submitted to the Congress to rescind \$1,600,000 (R76-25).

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of \$1,600,000 for elimination of the Payments to States and Possessions Program (\$1,600,000 available in 1976).

Need for Decrease: This appropriation has been used to assist States in developing the capability to perform their own agricultural marketing service programs. Federal funds have been provided to States on a temporary basis to pay up to half the costs of pilot-testing special service projects to help solve local marketing problems. The program has been underway since 1948, and during that period of time those State Departments of Agriculture so inclined have been able to build a capability to respond to marketing service needs. State marketing appropriations have gradually built up over the years and the relative importance of the Federal funds under this program has gradually diminished. Since program benefits accrue primarily to individual States, the States are expected to develop and carry out their marketing programs.

STATUS OF PROGRAM

Current Activities: The Federal-State Marketing Improvement Program is administered by a staff office of the Agricultural Marketing Service. Federal payments, authorized by Section 204(b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U.S. Department of Agriculture and State Departments of Agriculture, and similar State agencies. These agreements provide for eligible marketing service activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel.

Selected Examples of Recent Progress:

Assistance was provided to farmers, handlers and processors of agricultural crops and livestock to improve marketing, market information, product quality and transportation. Seven projects were aimed at improving export marketing.

Distribution of Payments: The distribution of the Federal Payments to States for 1975 is shown in the following table:

Alaska	\$11,474
Illinois	9,000
Indiana	85,150
Iowa	9,550
Maryland	20,330
Mississippi	33,000
Missouri	14,689
New Jersey	20,000
North Carolina	11,000
Ohio	18,000
Oklahoma	20,000
Pennsylvania	15,550
South Carolina	18,202
Virginia	25,000
Undistributed	<u>1,289,055</u>
Total	1,600,000

(c) Perishable Agricultural Commodities Act Fund

Appropriation Act, 1976 (from receipts)	\$1,630,000
Budget Estimate, 1977 (from receipts)	<u>1,590,000</u>
Decrease in Appropriation	<u>-40,000</u>

PROJECT STATEMENT
(On Basis of Available Funds)

Project	: 1975 : Actual	: 1976 : Estimated	: Increase : or : Decrease	: 1977 : Estimated
Licensing dealers and handling complaints	\$1,560,415	\$1,802,000	+\$18,000(1)	\$1,820,000
Unobligated balance available, start of period	-493,330	-649,797	+221,000	-428,797
Unobligated balance available, end of period	649,797	477,797	-279,000	198,797
Total Available or Estimate	<u>1,716,882</u>	<u>1,630,000</u>	<u>-40,000(2)</u>	<u>1,590,000</u>

OBLIGATION LEVELS
(On Basis of Available Funds)

Item	: 1975 : Actual	: 1976 : Estimated	: Transition: : Quarter	: 1977 : Estimated
Appropriation (from receipts)	\$1,716,882	\$1,630,000	\$416,000	\$1,590,000
Unobligated balance available, start of period	493,330	649,797	477,797	428,797
Total Available	2,210,212	2,279,797	893,797	2,018,797
Total Obligations	<u>1,560,415</u>	<u>1,802,000</u>	<u>465,000</u>	<u>1,820,000</u>
Unobligated balance available, end of period	649,797	477,797	428,797	198,797

EXPLANATION OF PROGRAM

License fees are deposited in this special fund and are used to meet the costs of administering the Perishable Agricultural Commodities and the Produce Agency Acts (7 U.S.C. 491-497, 499a-499s). The current annual license fee is set at \$100, the maximum permitted by law.

The Acts are intended to assure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. Complaints of violations are investigated and violations dealt with by (a) informal agreements between the two parties, (b) formal decisions involving payment of reparation awards, and (c) suspension or revocation of license and/or publication of the facts.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in obligations of \$18,000 for annualization of pay cost increases effective in FY 1976. This will be financed from unobligated balances available in the fund.

(2) A decrease in receipts of \$40,000 due to an estimated decrease in the number of licensees subject to the Act.

STATUS OF PROGRAM

Current Activities: This special fund, comprised of annual license fees, is used for the administration of the Perishable Agricultural Commodities Act and the Produce Agency Act. These laws are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers and brokers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act (PACA). In addition, large retailers are subject to the Act, and are required to be licensed. Those who handle produce for the account of others are required to give a true and correct accounting to their principals. Buyers and sellers must live up to the terms of their contracts, and buyers must pay promptly for their purchases. False or misleading statements, misbranding, etc. are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes under the Perishable Agricultural Commodities Act. When there is an apparent violation of the Act, the Department will communicate with the respondent party, make the necessary investigation, and endeavor to bring about an amicable, informal settlement. Where informal settlement of a dispute cannot be arranged, the complainant is afforded the opportunity to file and pursue a formal complaint under the law. In all proceedings each party has an opportunity to present his side fully. The Department determines whether a violation exists, the loss or amount of damages to be paid, and issues a formal order calling for reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department to suspend or revoke the offender's license.

Selected Examples of Recent Progress:

A. Perishable Agricultural Commodities Act:

1. Licensing Activities. At the end of Fiscal Year 1975, 16,287 licenses were in effect, a net decline of 305 from 1974. The gradual decline during the recent years has been due to the trend toward mergers and consolidations of large firms.

Activity	Fiscal Year		
	1975	1976(Est.)	1977(Est.)
Licenses renewed	14,417	14,200	13,900
New Licenses issued	1,870	1,700	1,600
Licenses terminated	2,175	2,087	2,000
In effect June 30	16,287	15,900	15,500

2. License Fees. Annual license fees, together with arrearage fees, are deposited into a special fund. All AMS expenses for administration of the Perishable Agricultural Commodities and Produce Agency Acts are paid from this fund. The annual license fee currently is \$100, the maximum provided in the law.
3. Informal Reparation Complaints. During Fiscal Year 1975, over 15,000 inquiries were received from members of the industry seeking advice concerning disputes. The assistance rendered has enabled traders to avoid many marketing problems which could have resulted in the filing of complaints and increased the Department's workload.

There were 1,800 new reparation cases filed this year, as compared to 1,623 filed last year. Amicable settlements were arranged in 903 cases. These settlements resulted in payments to disputing parties totaling \$6 million.

4. Formal Reparation Complaints. In 1975, there were 428 decisions and orders issued by the Judicial Officer, as compared with 424 decisions last year. Reparations were awarded in 302 of the decisions amounting to \$1,524,908.

5. Summary of Workload:

Activity	Fiscal Year		
	1975	1976 (Est.)	1977 (Est.)
<u>Actions Completed:</u>			
a. License actions	18,377	18,000	17,600
b. Reparation actions	17,541	17,800	17,900
c. Disciplinary actions	237	240	250
d. Misbranding actions	820	1,020	1,150
e. Personal investigations	1,178	1,200	1,300
<u>Reparations:</u>			
Awarded - Formal orders	\$1,524,908	\$1,700,000	\$1,725,000
Payments - Amicable settlements	5,965,181	5,000,000	5,000,000
Total	7,490,089	6,700,000	6,725,000

B. Produce Agency Act:

The Produce Agency Act is designed to prevent the destruction or dumping without sufficient cause, of farm produce received in interstate commerce on consignment and to require commission merchants to truly and correctly account for such shipments.

This year 14 new complaints were filed and two cases were carried over from last year. Nine cases were closed informally. At the end of the year, seven cases were pending.

- C. Obligations by State: Following is a distribution of obligations by State for the Perishable Agricultural Commodities Act program:

	Fiscal Year		
	1975	1976 Est.	1977 Est.
California	\$ 134,543	\$ 155,000	\$ 158,000
District of Columbia	927,740	1,072,000	1,082,000
Georgia	949	1,000	1,000
Illinois	182,907	211,000	213,000
Maryland	8,009	9,000	9,000
New York	179,848	208,000	210,000
Texas	126,419	146,000	147,000
TOTAL	<u>1,560,415</u>	<u>1,802,000</u>	<u>1,820,000</u>

Passenger Motor Vehicles

The 1977 Budget Estimates propose the purchase of 7 replacement motor vehicles. This represents 25 percent of the total net active fleet of 27 passenger motor vehicles available to the Agricultural Marketing Service.

The 7 replacements in Fiscal Year 1977 are for Marketing Services activities.

The number of passenger motor vehicles estimated to be available for 1977 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspection and grading commodities and for performing other work required under United States Warehouse Act, Cotton Acts, and Naval Stores Act; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and in connection with assistance to farmers in preparing tobacco for market; (3) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators.

Replacement of passenger motor vehicles. Replacement of 7 of 27 vehicles now in operation is proposed. These passenger motor vehicles will be replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Services Administration. These standards provide that vehicles to be replaced must be at least six or more years of age, or have been driven 60,000 miles or more, and other factors.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1975 is as follows:

Age - Year Model	Age Data			Mileage Data		
	Number of Vehicles	Percent of Total	: Lifetime Mileage (thous.)	Number of Vehicles	Percent of Total	
1970 or older	7	22	80-100	2	6	
1971	9	28	60-80	6	19	
1972	--	--	40-60	7	22	
1973	5	16	20-40	2	6	
1974	5	16	Under 20	15	47	
1975	<u>6</u>	<u>18</u>		—	—	
Total	<u>32*</u>	<u>100</u>	Total	<u>32*</u>	<u>100</u>	

* Includes five vehicles awaiting disposal during fiscal year 1976.

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Appropriation Act, 1976	\$1,128,086,933
Less transfers to:	
Department of Commerce to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service," 84th Congress	-8,820,794
Child Nutrition Programs, Food and Nutrition Service	-881,111,000
Total transfers	-889,931,794
Adjusted base for 1977	238,155,139
Budget Estimate, 1977:	
Annual permanent appropriation	\$1,120,000,000
Less transfers to:	
Department of Commerce	-9,000,000
Food and Nutrition Service	-1,111,000,000
Total transfers	-1,120,000,000
Total Budget Estimate, 1977	---
Decrease under adjusted 1976	<u>-238,155,139</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1976 <u>Estimated</u>	Increase or <u>Decrease</u>	1977 <u>Estimated</u>
Direct purchases	\$204,400,000	-\$204,400,000	--
Nonschool summer food service program	8,000,000	-8,000,000	--
Food certificate program	750,000	-750,000	--
Cash payments in lieu of commodities	52,502,000	-52,502,000	--
GSA space rental costs	305,000	-305,000	--
Pay cost increase effective in FY 1976	220,000	-220,000	--
Commodity program operating expenses	6,716,000	-6,716,000	--
Marketing agreements and orders	<u>3,899,000</u>	<u>-3,899,000</u>	<u>--</u>
Total Available	<u>276,792,000</u>	<u>-276,792,000</u>	<u>--</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1975 Actual	1976 Estimated	Increase or Decrease	1977 Estimated
1. <u>Commodity Program Payments:</u>				
a. Direct purchases	\$196,742,729	\$204,400,000	-\$204,400,000	--
b. Financial assistance to States	2,096,459	--	--	--
c. Other (farina)	238,937	--	--	--
2. <u>Cash Payments to States:</u>				
a. School food service program	373,146	--	--	--
b. Nonschool summer food service program	51,523,490	8,000,000	-8,000,000	--
c. Nonschool year round service program	21,415,849	--	--	--

(continued on next page)

Project	1975 Actual	1976 Estimated	Increase or Decrease	1977 Estimated
3. Supplemental Food Program:				
a. Women, infants, and children program	90,616,825:	--	--	--
b. Food certificate program	668,025:	750,000:	-750,000:	--
c. Operating expenses ...	1,820,806:	--	--	--
4. Cash Payments in Lieu of Commodities	5,100,000:	52,502,000:	-52,502,000:	--
5. Commodity Program Operating Expenses	6,571,667:	6,928,000:	-6,928,000:	--
6. Marketing Agreements and Orders	3,817,844:	4,212,000:	-4,212,000:	--
Total Obligations	380,985,777:	276,792,000:	-276,792,000:	--
			(1):	
Recovery of prior period obligations	-22,376,478:	--	--	--
Unobligated balance available, start of period	-191,004,579:	-120,809,585:	120,809,585:	--
Unobligated balance available, end of period	120,809,585:	82,172,724:	-82,172,724:	--
Total Available or Estimate	288,414,305:	238,155,139:	-238,155,139:	--

OBLIGATION LEVELS
(On basis of available funds)

Item	1975 Actual	1976 Estimated	Transition Quarter	1977 Estimated
Appropriation or estimate	\$1,019,207,831:	\$1,128,086,933:	--	\$1,120,000,000
Unoblig. balance avail., start of period	191,004,579:	120,809,585:	\$82,172,724:	--
Recovery of prior period obligations ..	22,376,478:	--	--	--
Transfers to:				
Food & Nutrition Service	-705,926,000:	-881,111,000:	-20,000,000:	-1,111,000,000
Agricultural Research Service ..	-15,000,000:	--	--	--
Foreign Agricultural Service	-2,117,000:	--	--	--
Department of Commerce	-7,750,526:	-8,820,794:	--	-9,000,000
Total available after transfers	501,795,362:	358,964,724:	62,172,724:	--
Total obligations ...	380,985,777:	276,792,000:	62,172,724:	--
Unobligated balance available, end of period	120,809,585:	82,172,724:	--	--

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), 30 percent of customs receipts collected during the preceding calendar year plus unused balances up to \$300 million are available. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce to encourage the distribution of such products. Additional transfers, primarily for the child nutrition program, have been provided in recent appropriations.

Remaining balances of Section 32 funds have been used to encourage domestic consumption of agricultural products. Commodities were purchased for distribution through State distributing agencies to schools and nonschool feeding programs, summer camps, disaster victims, needy persons, and institutions eligible to receive such purchases. Cash in lieu of commodities has also been distributed to the states.

Section 32 funds were also used during FY 1976 for:

- A. Commodity program operating expenses which include the administrative costs of purchasing commodities by the Agricultural Marketing Service and the subsequent distribution costs incurred by the Food and Nutrition Service.
- B. Administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities.
- C. Two Supplemental Feeding Programs:
 - 1. The pilot food certificate program for expectant and new mothers and infants.
 - 2. The Special Supplemental Food Program for Women, Infants, and Children (WIC).
- D. Nonschool summer feeding program.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) For fiscal year 1977 there are no budgeted obligations under this appropriation. Available balances are to be transferred to the Department of Commerce and the Food and Nutrition Service. The commodity program operating expenses for the Agricultural Marketing Service and the marketing agreements and orders activity are being transferred to the Marketing Services appropriation.

Purchases of surplus commodities eligible for support with Section 32 funds will continue to receive first priority in the use of the funds transferred to the Food and Nutrition Service. Second priority will be to supply other commodities or cash in lieu of commodities to meet the required and traditional level of commodity support for donation to eligible persons and outlets. Third priority will be to use Section 32 funds in lieu of direct appropriations to supply required cash reimbursement, primarily to schools under the requirements of the Child Nutrition Act of 1966, as amended and the National School Lunch Act, as amended. In fiscal year 1977 it is estimated that about \$580 million in commodities or cash in lieu of commodities will be required for donation under the Child Feeding programs. This far exceeds the level of surplus removal activity which has been necessary in recent years and will be more than sufficient to meet those needs anticipated for fiscal year 1977. In addition, other domestic outlets are available in the unlikely event the need for additional surplus removal should arise.

STATUS OF PROGRAM

Current Activities:

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) an amount equal to 30% of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities, generally perishable commodities which are in greater supply than will clear markets at reasonable prices to producers. Currently activity is in the area of purchases of commodities for distribution through State distribution agencies to schools, summer camps, disaster victims, needy persons and institutions eligible to receive such purchases.

The basic authority provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities. Not more than 25% of total funds available under the Act may be used for any one commodity or product thereof.

P.L. 93-326 and P.L. 93-347 authorized for 1975 the use of Section 32 program funds to purchase commodities to maintain programmed levels of assistance to schools, needy persons and other domestic food assistance programs. P.L. 94-105 extends this authority through 1977.

Section 32 funds are also used for:

- A. Commodity program operating expenses--the administrative costs of the Agricultural Marketing Service in acquiring Section 32 commodities and the administrative costs of the Food and Nutrition Service in distributing Section 32 and CCC commodities to eligible domestic outlets.
- B. The administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities and related products.
- C. Two supplemental feeding programs:
 - 1. The Pilot Food Certificate Program for pregnant and lactating women and infants.
 - 2. The Special Supplemental Food Program for Women, Infants and Children (WIC).
- D. Nonschool Summer Feeding Program.

Selected Examples of Recent Progress:

A. Commodity Program Payments:

- 1. Direct Purchases. Eight purchase programs provided over 412 million pounds of twenty-two different commodities for domestic food assistance programs during fiscal year 1975.

With the virtual phasing out by the beginning of FY 1975 of the direct distribution of commodities to needy people in favor of the Food Stamp Program, the emphasis was on furnishing products for use in school lunches.

Purchases of poultry products included 34.9 million pounds of whole frozen turkey purchased for donation to schools. Fifteen percent of the turkeys purchased for school lunches was delivered in the form of frozen cooked turkey rolls and ground turkey meat. Schools were required to reimburse the Department for further processing. Also, 18.1 million pounds of canned boned poultry was purchased, 15.5 million pounds for distribution to schools and 2.7 million pounds for distribution to needy persons.

TABLE I

Use Made of Section 32 Funds for Program Operations
Fiscal Year 1974 and 1975

Item	FISCAL YEAR 1974		FISCAL YEAR 1975	
	Pounds	Dollars	Pounds	Dollars
Direct Purchases:				
Apples, Fresh	---	---	---	-\$8,702 <u>2/</u>
Apple Juice	---	-\$9,569 <u>2/</u>	4,222,400	593,803
Apple Sauce	---	-9,108 <u>2/</u>	28,690,200	5,584,884
Beans, Dry	38,199,610	11,060,025	6,932,705	1,570,114
Corn, Canned	1,545,600	266,334	---	3,430 <u>1/</u>
Corn Syrup	9,677,250	1,639,909	1,759,500	531,642
Cranberry Sauce	30,303,480	4,793,960	13,224,640	2,735,225
Egg Mix	9,540,000	16,254,173	1,044,000	941,780
Fruit Cocktail	---	-1,249 <u>2/</u>	---	---
Fruit Nectar, Canned	---	-44,466 <u>2/</u>	---	---
Grapefruit Juice	75,793,600	8,315,732	11,413,800	1,539,591
Grapefruit Sections	---	-1,120 <u>2/</u>	---	---
Green Beans, Canned	12,033,200	2,053,264	22,629,100	4,412,754
Green Beans, Frozen	3,881,250	831,823	8,493,750	2,284,904
Infant Formula	180,000	142,149	60,000	53,350
Lard	5,184,000	1,949,928	---	68,059 <u>1/</u>
Lentils	740,080	275,843	---	---
Meat, Canned Beef	---	---	28,048,800	22,991,992
Meat, Ground Beef	68,299,000	67,160,066	120,235,500	85,405,869
Meat, Canned Luncheon ...	32,616,000	24,559,056	---	210,785 <u>1/</u>
Meat, Canned Pork	7,308,000	5,553,508	8,282,400	7,666,203
Meat, Ground Pork	---	-18,434 <u>2/</u>	---	-12,545 <u>2/</u>
Milk, Evaporated	33,945,240	8,407,387	24,638,401	6,047,002
Milk, Dry Whole	2,310,105	2,155,047	---	1,470 <u>1/</u>
Orange Juice, Froz. Concen.:	69,473,000	20,076,426	21,280,635	7,118,374
Orange Juice, Processed	15,218,400	2,493,910	4,476,000	683,388
Peaches, Canned	---	-14,639 <u>2/</u>	24,863,030	5,910,581
Peanut Butter	36,955,560	14,415,946	24,929,930	10,705,872
Peanut Granules	739,200	423,903	2,310,000	1,393,608
Pears, Canned	14,373,000	3,267,070	---	-12,932 <u>2/</u>
Pears, Fresh	---	---	---	-1,115 <u>2/</u>
Pear Nectar	6,258,200	810,412	---	-1,920 <u>2/</u>
Peas, Canned	604,800	105,706	---	---
Peas, Dry	2,396,421	756,611	---	-2,943 <u>2/</u>
Pineapple Juice	---	-36,868 <u>2/</u>	---	---
Plums, Purple	8,455,320	1,507,842	---	---
Potatoes, Dehydrated	---	8,275 <u>1/</u>	1,560,000	376,412
Poultry, Canned/Boned ...	44,592,000	44,592,933	18,118,000	12,317,213
Poultry, Cooked/Boned ...	---	-2,173 <u>2/</u>	---	---
Prunes, Dried	3,991,680	1,141,113	---	10,675 <u>1/</u>
Raisins	---	---	---	-1,352 <u>2/</u>
Tomatoes, Canned	23,573,550	4,212,385	---	-9,172 <u>2/</u>
Tomato Juice	---	-45,286 <u>2/</u>	---	2,586 <u>1/</u>
Turkeys, Frozen	33,390,000	23,476,897	34,930,000	15,632,757
Misc. Adjustments	---	-3,361 <u>2/</u>	xxx	-913 <u>2/</u>
Subtotal	591,577,546	272,521,360	412,142,791	196,742,729
Financial Assistance	---	12,881,150	---	2,096,459
Other 3/	---	489,797	---	238,937
Total Obligations	591,577,546	285,892,307	412,142,791	199,078,125

1/ Transportation costs of prior year programs.

2/ Reduction in prior year obligations.

3/ Farina purchased by Food and Nutrition Service.

Grain purchases consisted of 6.9 million pounds of dry beans; 6.5 million pounds to schools and .4 million pounds to needy people. Also, 1.8 million pounds of corn syrup were purchased for donation to needy people.

Fruit, Vegetable and Peanut Product purchases totaling 168.1 million pounds were made of cranberry sauce, canned green beans, frozen green beans, dehydrated potatoes, canned peaches, grapefruit juice, apple juice, apple sauce, frozen concentrated orange juice, canned orange juice, peanut butter and peanut granules. Light to moderate supplies of many canned items created a sellers' market in which packers of commodities tended to sell to preferred customers or hold them for price increases. Processors were reluctant to bid on purchase contracts, and on one occasion no bids were received at all.

Purchases of dairy products consisted of 24.6 million pounds of evaporated milk and 60 thousand pounds of infant formula for distribution to needy people.

Livestock programs included purchases of 120.2 million pounds of ground beef for distribution to schools, 28.0 million pounds of canned beef, 20.7 for distribution to schools and 7.3 for needy people and 8.3 million pounds of canned pork, 7.9 million for distribution to schools.

FY 1975 began with excess supplies, relatively low prices, and crippling financial losses for producers. Meat purchases during FY 1975 were unusually large and were used by the Department to help relieve the severe cost-price squeeze on cattle producers.

2. Obligations by State: Following is a distribution of AMS obligations by State for Commodity Program Operating Expenses:

	<u>Fiscal Year</u>		
	<u>1975</u>	<u>1976 Est.</u>	<u>1977 Est.</u>
California	\$69,235	\$69,000	--
District of Columbia ...	1,706,165	1,703,000	--
Georgia	70,871	71,000	--
Illinois	335,170	335,000	--
Kansas	--	1,349,000	--
Maryland	24,195	24,000	--
Minnesota	920,474	--	--
New York	94,989	95,000	--
Texas	96,350	96,000	--
TOTAL	<u>3,317,449</u>	<u>3,742,000</u>	<u>--</u>

3. Obligations by State: Following is a distribution of obligations by State for Direct Purchases of commodities under the Section 32 program:

	<u>Fiscal Year</u>	
	<u>1975</u>	<u>1976 Est.</u>
Alabama	\$922,340	
Alaska	6,330	
Arizona	2,966	
Arkansas	1,499,806	
California	45,621,831	
Colorado	1,453,986	
Connecticut	8,232	
Delaware	207,900	
District of Columbia	1,194	
Florida	11,849,208	
Georgia	12,175,160	
Idaho	3,280	
Illinois	23,643,382	
Indiana	245,115	
Iowa	16,771,927	
Kansas	335,485	
Kentucky	1,548,913	
Louisiana	116,630	
Maine	3,632	
Maryland	1,023,804	
Massachusetts	7,132,674	
Michigan	2,371,553	
Minnesota	12,462,494	
Mississippi	463,407	
Missouri	3,531,188	
Montana	98,508	
Nebraska	4,838,431	
Nevada	117	
New Hampshire	6,388,013	
New Jersey	1,574,646	
New Mexico	104,659	
New York	3,143,452	
North Carolina	309,455	
North Dakota	3,127	
Ohio	4,930,824	
Oklahoma	1,406,492	
Oregon	1,424,002	
Pennsylvania	2,682,751	
South Carolina	397,915	
South Dakota	2,701	
Tennessee	859,427	
Texas	4,974,006	
Utah	3,247,869	
Vermont	16,732	
Virginia	83,261	
Washington	4,235,483	
West Virginia	1,751,020	
Wisconsin	64,211,708	
Wyoming	18	
Puerto Rico	105	
Undistributed	-53,344,430	\$ 204,400,000
TOTAL	<u>196,742,729</u>	<u>204,400,000</u>

B. Cash Payments to States:

The Agriculture-Environmental and Consumer Protection Appropriation Act, 1975, made funds available for use in supplementing child feeding and nutritional programs authorized by law in the National School Lunch and Child Nutrition Acts, as amended, and for direct distribution and other programs designed to provide an adequate diet to needy children and low-income persons.

The States were authorized to use the section 32 funds to expand the school lunch, special assistance, breakfast, nonfood (equipment), State administrative expense, and nonschool food programs.

Beginning in fiscal year 1972, these funds were available to the States on the basis of need as shown by the States' performance in serving meals.

In fiscal year 1975, the cash payments provided under this program were used in the following program:

For cash grants to provide for food service programs for children in service institutions. This program reaches preschool and school-age children during the summer months in settlement houses, neighborhood houses and recreation centers. It also provides year-round assistance to children in day care centers. A total of \$53,599,490 (consisting of \$51,523,490 from section 32 and \$2,076,000 of directly appropriated funds) provided 87 million meals to 1.4 million children in the summer program. In the year-round program, a total of \$47,247,849 (\$21,415,849 from section 32 and \$25,832,000 direct appropriation) provided 223.7 million meals to 370.5 thousand children.

C. Supplemental Food Program:

The Agriculture-Environmental and Consumer Protection Appropriation Act, 1975, also provided funds for a pilot food certificate program. During 1975, 7,955 mothers and children received \$668,025 in food certificates which could be used at retail outlets to purchase milk and baby cereals. The program operated in Bibb County, Georgia; Cook County, Illinois; Brazos County, Texas; and Newport-St. Johnsbury, Vermont.

D. Cash Payments in Lieu of Commodities:

Public Law 93-13 authorized for 1973 the payment of cash in lieu of commodities from section 32 funds. The amount due is determined by the difference between the commodities budgeted for distribution to school food service programs under all authorities and the amount of commodities estimated to be delivered during that fiscal year. If the value of deliveries is less than 90 percent of the budgeted commodities, the difference must be made up in cash. This temporary authority was made permanent by P.L. 93-150 on November 7, 1973.

Public Law 93-326 amended section 6 of the National School Lunch Act and provided that "the national average value of donated foods, or cash payments in lieu thereof, shall not be less than ten cents per lunch, and that amount shall be adjusted on an annual basis each fiscal year after June 30, 1975, to reflect changes in the series for food away from home of the Consumer Price Index published by the Bureau of Labor Statistics of the Department of Labor." In fiscal year 1975, the level of commodities distributed to schools satisfied the ten cents per lunch requirement; therefore, no general cash in lieu of commodities payment was made.

However, in accordance with the September 6, 1974, decision of the Comptroller General of the United States, a payment of \$5,100,000 for cash in lieu of commodities was made to the State of Kansas since its commodity distribution facilities were previously phased out.

E. Special Supplemental Food Program for Women, Infants and Children (WIC):

The special supplemental feeding program is authorized in section 17 of the Child Nutrition Act of 1966, as amended and is available to pregnant or lactating women, infants and children to five years of age who are determined by competent professionals to be nutritional risks because of inadequate nutrition and inadequate income. Cash grants are provided to State Health Departments and approved local health agencies for the purpose of providing specified nutritious supplemental foods. Public Law 93-150, approved November 7, 1973, extended the program through fiscal year 1975 and added provisions which allow an Indian tribe, band, or group recognized by the Department of Interior, or the Indian Health Service of the Department of Health, Education and Welfare to operate WIC programs.

Public Law 94-28, enacted May 28, 1975, provided an interim extension of program authority until P.L. 94-105 was approved on October 7, 1975. This law extended the program through fiscal year 1978 and increased the authorized funding level to \$250 million. Public Law 94-105 also authorized USDA to pay administrative costs up to 20 percent of the program funds provided to each State. This is an increase of 10 percent from the previous legislation. The WIC program is administered by the Food and Nutrition Service.

As of June 30, 1975, \$90.6 million was obligated for use by 48 State agencies, two Indian agencies, Puerto Rico and the Virgin Islands.

SPECIAL SUPPLEMENTAL FEEDING
WIC

	PARTICIPATION				EXPENDITURES			Benefit Per Pers.
	Women	Infants	Children	Total	Food Costs	Clinic & Adminis- trative	Total Expend- itures	
FY 1975	:	:	:	:	:	:	:	
July -----	41,883	71,668	122,387	235,938	\$2,580,152	\$547,403	\$3,127,555	10.94
August -----	45,390	78,777	136,881	261,048	3,576,853	644,653	4,221,506	13.70
September ----	45,868	79,453	141,958	267,279	3,993,757	712,181	4,705,938	14.94
October -----	46,670	83,184	152,564	282,418	5,274,100	707,254	5,981,354	18.67
November -----	47,240	86,008	157,413	290,661	4,748,921	769,332	5,518,253	16.33
December -----	47,842	91,176	167,546	306,564	5,191,369	773,479	5,964,848	16.93
January 1975---	50,595	96,410	175,831	322,836	6,118,628	751,678	6,870,306	18.95
February -----	55,687	105,350	196,752	357,789	5,643,229	899,073	6,542,302	15.77
March -----	58,836	118,613	214,536	391,985	6,927,781	1,178,623	8,106,404	17.67
April -----	67,319	132,874	238,644	438,837	8,378,032	1,281,516	9,659,548	19.09
May-----	73,980	143,047	255,569	472,596	8,519,608	1,361,679	9,881,287	18.03
June -----	78,043	150,610	268,269	496,922	9,396,714	2,097,719	11,494,433	18.91
Total -----	54,946	103,098	185,696	343,740	70,349,144	11,724,590	82,073,734	17.05
	Avg.	Avg.	Avg.	Avg.	Adjustment			
							+8,543,091	
							<u>90,616,825</u>	

F. Commodity Program Operating Expenses:

1. Procurement and distribution of commodities. The procurement of commodities under section 32 is carried out by the Agricultural Marketing Service. Distribution of commodities (section 32 and 416-CCC) to eligible domestic outlets is done by the Food and Nutrition Service.

Commodities are shipped at the request of State agencies. The Federal government pays all costs to central State receiving points. These costs may include processing and packaging, as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies establish, with USDA concurrence, standards for participation and approve eligible recipients. State agencies are usually responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

- a. Needy family program. During fiscal year 1975, section 4(a) of P.L. 93-86 provided authority to use funds from section 32 and section 416 without regard to surplus removal or price support conditions in order to maintain the traditional level of assistance to domestic feeding programs. Public Law 93-347 approved July 12, 1974, amended this provision by authorizing the use of directly appropriated funds to provide commodities for food assistance programs on Indian reservations not requesting a food stamp program and food distribution programs to needy families pending their transition to the food stamp program. In fiscal year 1975, participation ranged from a high of 792,452 in July to a low of 87,770 in June.

Operating expense funds continued to be offered to States. Sixteen States, four outlying territories and two Indian reservations accepted over \$2.0 million which helped them to defray program operating costs.

Over 159.5 million pounds of food valued at about \$57.2 million were distributed to needy families during the year. The foods distributed in June 1975 and the number of administrative units receiving each are shown below.

Number of Administrative Units (Counties, Cities, Indian Agencies and Outlying Areas) Distributing Specific Foods:

Meat and Poultry -----	39 ¹ / ₁	Juice -----	35 ¹ / ₁
Beef, W/NJ -----	35	Orange -----	27
Poultry, Boned -----	24	Apple -----	22
Pork, W/NJ -----	17	Grapefruit -----	16
Milk -----	38 ¹ / ₁	Nectar, Fruit -----	16
Evaporated -----	37 ² / ₁	Tomato -----	16
Instant -----	33	Macaroni -----	34
Formula, Infant, Dry- 16		Corn Meal -----	32
Nonfat Dry -----	16 ² / ₁	Cereal -----	31
Dry Whole -----	16	Oats, Rolled -----	30
Rice -----	38	Farina -----	21
Egg Mix -----	38	Wheat, Rolled -----	17
Butter and Margarine -----	38	Rice, Instant -----	13
Flour -----	38	Potatoes, Dehydrated -----	29
Shortening, Vegetable -----	37	Meat, Canned Luncheon -----	23
Peanut Butter -----	36	Prunes, Dried -----	21
Cheese -----	36	Lentils -----	17
Syrup, Corn -----	36	Grits, Corn -----	17
Beans, Dry -----	36	Peas, Dry Split -----	17
Vegetables, Canned -----	35 ¹ / ₁	Raisins -----	16
Beans, Green -----	34	Applesauce -----	16
Tomatoes -----	18	Bulgar -----	14
Peas -----	16		
Potatoes, Sweet -----	16		
Corn -----	13		
Fruits in lieu of Vegetables:			
Peaches -----	0		
Pears -----	0		
Cranberry Sauce ---	2		

- 1/ Number of administrative units distributing one or more commodities within a food group. Recipients can receive only one can per person from each group.
- 2/ Recipients may receive additional units of evaporated and dry milk when available.

- b. Schools. Over 25.0 million children received food worth \$367 million from section 32 and section 416.

TABLE II - Cost in Millions of Dollars of Food
Distribution for Domestic Use - Fiscal Years 1974 and 1975

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Needy Persons		Total	
	1974	1975	1974	1975	1974	1975	1974	1975
Section 32:								
Apple Juice -----	--	.2	--	--	--	.3	--	.5
Applesauce -----	--	3.6	--	--	--	--	--	3.6
Beans, Dry -----	5.8	2.0	.1	.1	8.3	1.2	14.2	3.3
Beef, Canned -----	--	15.3	--	.9	--	2.4	--	18.6
Beef, Frozen Ground -----	22.6	141.5	--	--	--	--	22.6	141.5
Corn, Canned -----	--	.1	--	--	.7	--	.7	.1
Corn Syrup -----	.1	.5	--	--	2.8	.7	2.9	1.3
Cranberries -----	3.6	3.0	--	--	.9	.2	4.5	3.2
Egg Mix -----	.7	1.4	.2	.1	17.0	6.9	17.9	8.4
Fruit Cocktail -----	.3	--	--	--	.7	--	1.0	--
Fruit Nectar, Canned -----	--	--	--	--	.8	--	.8	--
Grape Juice -----	--	--	--	--	--	--	--	--
Grapefruit Juice -----	3.3	1.5	.1	.1	2.6	1.9	6.0	3.5
Grapefruit Sections -----	--	--	--	--	--	--	--	--
Green Beans, Canned -----	.9	2.8	--	.1	1.1	1.0	2.0	3.9
Green Beans, Frozen -----	.9	2.2	--	--	--	--	.9	2.2
Honey -----	--	--	--	--	--	--	--	--
Lard/Shortening -----	--	--	.1	.1	2.2	1.0	2.3	1.0
Lentils -----	.1	.1	--	--	.1	--	.2	.1
Meat, Canned Luncheon -----	.3	3.3	.7	.4	16.3	3.4	17.3	7.1
Milk, Evaporated -----	--	.3	--	.1	10.7	6.7	10.7	7.1
Milk, Infant Formula -----	--	--	--	--	.2	.1	.2	.1
Milk, Dry Whole -----	.5	.1	--	--	2.4	1.0	2.9	1.1
Orange Juice, Frozen -----	16.9	7.7	.3	.2	--	.1	17.2	8.0
Orange Juice, Processed -----	.3	.2	--	--	6.6	.9	6.9	1.1
Peaches, Canned -----	.1	3.4	--	--	--	1.0	.1	4.4
Peanut Butter -----	9.4	9.8	1.5	.8	6.3	1.0	17.2	11.6
Peanut Granules -----	.3	1.5	--	--	--	--	.3	1.5
Pears, Canned -----	3.5	.1	--	--	1.5	--	5.0	.1
Peas, Canned -----	--	--	--	--	.2	--	.2	--
Peas, Dried Split -----	.3	.2	.2	--	.8	--	1.3	.2
Pea Soup Mix -----	--	--	--	--	--	--	--	--
Pineapple Juice -----	--	--	--	--	--	--	--	--
Plums, Canned -----	1.5	--	--	--	--	--	1.5	--
Pork, Canned -----	--	9.6	--	--	.1	2.8	.1	12.4
Pork, Frozen Ground -----	--	--	--	--	--	--	--	--
Potatoes, Dehydrated -----	--	--	--	--	1.3	.1	1.3	.1
Potatoes, Frozen French Fries -----	.1	--	--	--	--	--	.1	--
Poultry, Canned/Boned -----	18.7	13.1	.4	--	40.5	2.5	59.6	15.6
Poultry, Frozen/Boned -----	--	--	--	--	--	--	--	--
Prunes, Dried -----	--	.1	--	.1	.9	.3	.9	.5
Raisins -----	--	--	--	--	--	--	--	--
Sweet Potatoes -----	--	--	--	--	--	--	--	--
Tomatoes, Canned -----	3.5	--	--	--	.8	.1	4.3	.1
Tomato Juice -----	--	--	--	--	--	--	--	--
Tomato Paste -----	--	--	--	--	--	--	--	--
Turkeys, Frozen -----	20.4	17.6	--	--	--	.1	20.4	17.7
Turkey Rolls -----	3.5	2.1	--	--	--	--	3.5	2.1
Turkey, Frozen Ground -----	.1	.2	--	--	--	--	.1	.2
Wheat, Rolled -----	--	--	--	--	--	--	--	--
Total, Section 32 -----	117.7	243.5	3.6	3.0	125.8	35.7	247.1	282.2
Section 416:								
Bulgur -----	.2	.1	--	--	.1	--	.3	.1
Butter -----	58.4	20.9	7.5	8.5	16.0	1.0	81.9	30.4
Cheese -----	--	66.8	--	1.0	4.2	4.8	4.2	72.6
Corn Flour -----	--	--	--	--	--	--	--	--
Corn Meal -----	1.5	.3	.4	.1	3.0	.7	4.9	1.1
Farina -----	--	--	--	--	.5	.7	.5	.7
Flour -----	36.7	3.7	6.5	.6	8.4	1.8	51.6	6.1
Grits, Corn -----	.2	--	.1	.1	.3	--	.6	.1
Macaroni -----	.1	.2	--	.1	3.1	.5	3.2	.8
Margarine -----	4.1	1.8	.2	.1	.4	.5	4.7	2.4
Milk, Instant Fortified -----	2.0	2.3	.3	.6	23.2	7.2	25.5	10.1
Milk, Nonfat Dry -----	.5	19.9	.2	4.8	.6	.2	1.3	24.9
Oats, Rolled -----	.8	.2	.5	.1	1.7	.4	3.0	.7
Peanut Butter -----	--	--	--	--	--	--	--	--
Rice -----	9.6	2.4	2.3	.7	11.6	2.7	23.5	5.8
Rice Cereal, Instant -----	--	--	--	--	.1	.1	.1	.1
Salad Oil -----	7.6	1.8	.7	.1	--	--	8.3	1.9
Shortening, Vegetable -----	12.1	3.2	2.4	.4	5.3	.9	19.8	4.5
Wheat, Rolled -----	.4	.1	.1	.1	.2	--	.7	.2
Total, Section 416 -----	134.2	123.7	21.2	17.3	78.7	21.5	234.1	162.5
Total, Sections 32 and 416 -----	251.9	367.2	24.8	20.3	204.5	57.2	481.2	444.7

-- = Less than \$50,000

TABLE III - Quantity in Millions of Pounds of Food
Distribution for Domestic Use - Fiscal Years 1974 and 1975

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Needy Persons		Total	
	1974	1975	1974	1975	1974	1975	1974	1975
Section 32:								
Apple Juice -----	-	1.1	-	-	.1	2.2	.1	3.3
Applesauce -----	.2	17.7	-	-	-	-	.2	17.8
Beans, Dry -----	22.9	8.6	.3	.3	32.6	5.2	55.8	14.1
Beef, Canned -----	-	18.6	-	1.1	-	2.9	-	22.5
Beef, Frozen Ground ---	22.9	178.7	-	-	-	-	22.9	178.8
Corn, Canned -----	-	.2	-	-	3.5	.2	3.5	.3
Corn Syrup -----	.7	1.5	.2	-	17.6	2.2	18.5	3.8
Cranberries -----	22.3	14.0	.1	.1	5.7	.9	28.1	15.0
Egg Mix -----	.5	.9	.1	-	11.5	4.4	12.1	5.3
Fruit Cocktail -----	1.6	-	-	-	3.3	-	4.9	-
Fruit Nectar, Canned	-	-	-	-	6.3	-	6.3	-
Grape Juice -----	.1	-	-	-	-	-	.1	-
Grapefruit Juice -----	29.1	11.2	1.0	1.1	22.5	14.3	52.6	26.6
Grapefruit Sections ---	-	-	-	-	-	-	-	-
Green Beans, Canned ---	5.3	13.6	-	.1	6.4	5.1	11.7	18.7
Green Beans, Frozen ---	4.1	8.6	-	-	-	-	4.1	8.6
Honey -----	-	-	-	-	-	-	-	-
Lard/Shortening -----	-	.1	.2	.2	6.2	2.8	6.4	3.0
Lentils -----	.2	.2	.1	-	.3	-	.6	.3
Meat, Canned Luncheon--	.3	5.9	.9	.8	20.6	5.9	21.8	12.5
Milk, Evaporated -----	.2	1.2	.1	.4	45.0	27.4	45.3	28.9
Milk, Infant Formula ---	-	-	-	-	.2	.2	.2	.2
Milk, Dry Whole -----	.6	.1	-	-	2.7	1.0	3.3	1.2
Orange Juice, Frozen ---	57.3	25.7	1.0	.4	.1	.4	58.4	26.5
Orange Juice, Frozen ---	2.1	1.6	.1	.2	55.1	6.2	57.3	8.0
Peaches, Canned -----	.5	13.8	-	.4	.1	4.0	.6	18.3
Peanut Butter -----	24.5	22.5	3.8	1.9	16.5	2.3	44.8	26.6
Peanut Granules -----	.5	2.4	-	-	-	-	.5	2.4
Pears, Canned -----	15.4	.3	.1	-	6.6	-	22.1	.3
Peas, Canned -----	-	-	-	-	.9	-	.9	-
Peas, Dried Split -----	1.1	.6	.5	.2	3.1	.1	4.7	.8
Pea Soup Mix -----	-	-	-	-	-	-	-	-
Pineapple Juice -----	-	-	-	-	.2	-	.2	-
Plums, Canned -----	8.2	.1	-	-	-	-	8.2	.1
Pork, Canned -----	-	11.3	-	-	.1	3.2	.1	14.6
Pork, Frozen Ground ---	-	-	-	-	-	-	-	-
Potatoes, Dehydrated ---	-	-	-	-	5.8	.2	5.8	.2
Potatoes, Frozen -----	-	-	-	-	-	-	-	-
French Fries -----	.3	.2	-	-	-	-	.3	.2
Poultry, Canned/Boned--	19.0	18.9	.3	.1	41.0	3.6	60.3	22.7
Poultry, Frozen/Boned--	-	-	-	-	-	-	-	-
Prunes, Dried -----	-	.4	.1	-	3.0	1.1	3.1	1.5
Raisins -----	-	-	-	-	-	-	-	-
Sweet Potatoes, CD -----	-	-	-	-	-	-	-	-
Tomatoes, Canned -----	19.7	.2	.1	-	4.4	.3	24.2	.5
Tomato Juice -----	-	-	-	-	.3	-	.3	-
Turkeys, Frozen -----	31.0	41.1	-	-	-	.3	31.0	41.4
Turkey Rolls -----	3.2	3.6	-	-	-	-	3.2	3.6
Turkey, Frozen Ground--	.2	.6	-	-	-	-	.2	.6
Wheat, Rolled -----	-	-	-	-	-	-	-	-
Total, Section 32 ---	294.0	425.5	9.0	7.3	321.7	96.4	624.7	529.2
Section 416:								
Bulgar -----	1.4	.4	.4	.1	.8	.1	2.6	.6
Butter -----	88.0	30.2	11.3	12.3	24.0	1.5	123.3	44.0
Cheese -----	-	84.8	-	1.3	4.3	6.0	4.3	92.1
Corn Flour -----	.5	-	-	-	-	-	.5	-
Corn Meal -----	18.7	3.2	4.5	1.4	38.2	6.8	61.4	11.4
Farina -----	.1	.1	-	-	3.2	3.0	3.3	3.1
Flour -----	315.6	29.4	55.3	5.2	71.9	14.2	442.2	48.7
Grits, Corn -----	1.5	.4	1.2	.2	3.3	-	6.0	.6
Macaroni -----	.5	1.2	-	.6	16.2	2.7	16.7	4.4
Margarine -----	10.2	4.4	.5	.1	.8	1.4	11.5	5.9
Milk, Instant Fortified	2.8	3.3	.5	.9	33.4	10.2	36.7	14.4
Milk, Nonfat Dry -----	1.8	34.5	.7	8.3	1.7	.3	4.2	43.1
Oats, Rolled -----	8.2	1.7	4.5	1.0	17.6	3.1	30.3	5.8
Rice -----	36.9	9.8	8.8	2.9	44.8	11.5	90.5	24.3
Rice Cereal, Instant ---	-	-	-	-	.2	.2	.2	.2
Salad Oil -----	23.1	5.5	2.2	.3	-	-	25.3	5.9
Shortening, Vegetable--	38.3	6.5	7.7	.8	16.6	1.9	62.6	9.2
Wheat, Rolled -----	2.8	1.1	1.1	.3	1.7	.2	5.6	1.6
Total, Section 416 ---	549.8	216.5	98.7	35.7	278.7	63.1	927.2	315.3
Total, Sections 32 and 416 -----	843.8	642.0	107.7	43.0	600.4	159.5	1,551.9	844.5

- = Less than \$50,000.

- c. Institutions. Approximately 1.3 million people in eligible institutions received food worth \$20.3 million.
- d. Supplemental food packages. In 1975, foods such as orange juice, evaporated milk, farina, poultry and beef were distributed to participants. Packages were provided to 25,599 infants, 86,686 children, and 27,771 expectant and new mothers from low-income households in food distribution and food stamp areas. As of June 30, 1975, 52.9 million pounds of food worth \$17.4 million had been distributed through 108 projects participating in the program.

G. Marketing Agreements and Orders:

Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for supervising adopted marketing agreement and order programs and for public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs. Marketing agreements and orders help to stabilize prices, and benefit producers and consumers by establishing and maintaining orderly marketing conditions. Administration at the local level is financed by assessments upon handlers.

- 1. Milk: Milk Marketing Orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This is done by setting minimum prices which handlers pay to producers. Such minimum prices are set at levels that reflect supply and demand conditions in the markets and assure consumers an adequate supply of pure and wholesome milk. Almost 69 billion pounds of milk valued at \$5.6 billion (minimum price basis) were delivered to the market in 62 Federal market areas in fiscal year 1975. This represented 62 percent of all milk marketed by U.S. dairy farmers.

Activities during FY 1975 centered mainly on proceedings to expand marketing areas, consolidate orders, and provide uniform classification provisions for 40 orders.

Considerable time was devoted to price and pooling actions, reflecting continuing concern by producers and their cooperative associations with the economic conditions confronting dairymen in a period of increasing production costs and lower milk prices compared with the preceding year.

Eighteen public hearings were held during the fiscal year. About half of the order amendments during the year resulted from these proceedings.

Some significant actions involving Federal Milk Orders during this year included the following:

- (a) The Indiana, Great Basin and Mid-Atlantic orders expanded their marketing areas.
 - (b) Six Texas orders were merged.
 - (c) In April 1975 two hearings were held to consider the expansion of the North Louisiana and the New Orleans marketing areas.
- 2. Fruits and Vegetables: These orders are established to regulate the quality and quantity of products sold in commercial channels, thereby stabilizing marketing in the public interest. A total of forty-eight marketing agreement and order programs were in effect at the end of fiscal year 1975, covering fresh citrus and deciduous fruits, potatoes, vegetables, tree nuts, peanuts, dried fruits and hops. The value of commodities covered by these programs totaled \$3.5 billion at the farm level.

- (a) Separate referenda were conducted to ascertain whether respective growers favored continuation of orders. One covered California nectarines, another covered California pears, plums and peaches, and another covered cranberries. In each instance the growers voted in favor of continuance.
 - (b) Import regulations were in effect for avocados, limes, grapefruit, olives, oranges, potatoes, onions, tomatoes, dried prunes, raisins, dates and walnuts.
 - (c) During FY 1975, volume and quality regulations were in effect for dried prunes, walnuts, raisins, filberts, and hops, and grade regulations were in effect for dates.
 - (d) USDA and the Department of Justice are preparing legal arguments for a Federal court suit related to the Florida tomato marketing order. This program has been challenged by importers of Mexican tomatoes and consumer groups. After extended litigation, preparations are currently underway for a settlement of this case out of court.
3. Tobacco: A marketing agreement and order for Georgia-Florida shade grown cigar leaf continued in effect during fiscal year 1975. The purpose of this order is to improve quality and income to producers by limiting the number of leaves which can be harvested per plant.

For FY 1975 the Control Committee requested and received approval to suspend the regulations under the order, as the acreage planted fell far short of the projected demand.

4. Grain: During FY 1975 referenda were held on ryegrass seed and bentgrass seed. Both proposals were rejected. Assistance is being given to other producer groups interested in developing marketing agreement and order programs related to grain.

H. Potato Research and Promotion:

The Potato Research and Promotion Plan provides for a national program of advertising, promotion, research and development to strengthen the demand for potatoes and potato products. The plan is authorized by the Potato Research and Promotion Act (Title 3 of P.L. 91-670). The program completed its third year of operation in June 1975.

The program is being financed by a one cent per hundredweight assessment on potatoes used for human consumption and seed. Income for FY 1975 is estimated to be about \$2.2 million. In accordance with the enabling act, a producer who does not wish to support the program may obtain a refund. It is estimated that the refund for FY 1975 will be about \$264 thousand.

The national program for advertising and promotion was budgeted in 1975 at \$1.5 million. The budget was later amended to provide \$.3 million in additional funds for special promotional activities to encourage more consumption during the winter of 1975 when prices were severely depressed. The advertising during FY 1975 followed the basic format developed for the previous year, which incorporated advertising in popular magazines and specialty journals plus use of television commercials. The nutritional value of potatoes is emphasized. The public relations program reached many of the key personnel in the communications field who influence dietary habits.

In addition to maintaining an on-going national advertising program, the National Potato Promotion Board launched nutritional analysis studies in cooperation with the Universities of Idaho and Maine and USDA's Red River Valley Research Center. The work will continue for two years and will focus on identifying the nutrient components of different varieties of potatoes.

TABLE IV

Activities under the Milk, Fruit, Vegetable, Tree Nut and Grain Agreement and Order Programs During Fiscal Year 1975 and Estimated for 1976

Activity	Fluid Milk Orders		Fruit, Vegetable and Tree Nut Orders		Grain Orders	
	1975	1976	1975	1976	1975	1976
	:	:	:	:	:	:
Agreement & Order programs in effect	61	56	48	49	--	--
Requests received for new programs	1	1	--	2	1	1
Hearings and Petitions:	:	:	:	:	:	:
Hearings held to consider amendments to existing orders or the issuance of orders in new areas	18	15	3	9	--	1
Amendments issued	67 ^{1/2}	75	3	4	--	--
Suspensions issued	8	5	--	1	--	--
Petitions received for review of order	7	15	--	--	--	--
Petitions disposed of during the year	19	10	--	--	--	--
Administrator's decisions issued ..	13	16	1	7	--	1
Secretary's decisions issued	12	18	1	7	2	--
Secretary's referendum orders issued:	4	2	4	9	2	--
Order Operation and Enforcement:	:	:	:	:	:	:
Regulatory orders issued	--	--	262	302	--	--
Investigation of alleged violations	20	30	37	36	--	--
Cases referred to the Department of Justice for prosecution	26	30	8	13	--	--
Court cases resolved	64	35	3	8	--	--
Order Management:	:	:	:	:	:	:
Appointment of administrative committees	--	--	57	54	--	--
Promulgation of committee rule making	--	--	25	23	--	--
Budgets approved	61	56	50	49	--	--

1/ 11 docket actions.

Obligations by State: Following is a distribution of obligations by State for the Marketing Agreements and Orders program:

	Fiscal Year		
	1975	1976 Est.	1977 Est.
California	\$336,636	\$345,000	--
Colorado	42,829	44,000	--
District of Columbia	3,086,516	3,150,000	--
Florida	70,768	72,000	--
Georgia	2,047	2,000	--
Illinois	48,146	49,000	--
Maryland	78,979	81,000	--
New York	2,752	3,000	--
Oregon	104,715	107,000	--
Texas	44,456	45,000	--
Undistributed	--	314,000	--
TOTAL	<u>3,817,844</u>	<u>4,212,000</u>	<u>--</u>

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was established by Secretary's Memorandum No. 1613, Supplement 1, of May 8, 1967. The Agency administers the Packers and Stockyards Act of 1921, as amended, as well as the Truth-in-Lending Act and the Fair Credit Reporting Act as these statutes relate to persons and firms subject to the Packers and Stockyards Act. The main objective of the Act is to assist in the maintenance of fair competitive practices in the marketing of livestock, meat and poultry.

The principal purpose of the Packers and Stockyards Administration programs is to maintain fair competition so as to bring to farmers and ranchers the true market value of their livestock and poultry. Consumers and members of the livestock, meat and poultry industries are also protected against unfair business practices which could unduly affect meat and poultry prices. The programs comprise the following two broad areas:

- 1) Livestock Marketing activities are concerned with (a) marketing practices; (b) scales and weighing; (c) rates, services and facilities; and (d) registrations, bonds and reports.
- 2) Packer and Poultry activities are concerned with trade practices in (a) livestock procurement; (b) meat merchandising; and (c) poultry marketing and compliance with other requirements of the Act.

These functions are carried out through a Washington, D. C. office staff of approximately 64, and 13 field stations staffed with approximately 140, located in Atlanta, Georgia; Springfield, Illinois; Denver, Colorado; Fort Worth, Texas; Lawndale, California; Indianapolis, Indiana; Kansas City, Missouri; Memphis, Tennessee; North Brunswick, New Jersey; Portland, Oregon; Omaha, Nebraska, (substation in Sioux City, Iowa); So. St. Paul, Minnesota; and Arlington, Virginia.

Available Funds and Man-Years
1975 and Estimated, 1976 and 1977

Item	Actual		Estimated		Budget Estimate	
	1975		Available, 1976		1977	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Packers and Stockyards			a/			
Administration.....	\$4,899,000	189	\$5,171,000	202	\$5,234,000	202

End-of-Year Employment:	1975 <u>Actual</u>	1976 <u>Estimated</u>	1977 <u>Estimated</u>
Permanent full-time.....	193	200	200
Other	0	4	4
Total.....	193	204	204

a/ Includes proposed supplemental for increased pay costs of \$143,000.

PACKERS AND STOCKYARDS ADMINISTRATION

Appropriation Act, 1976.....	\$5,028,000
Budget Estimate, 1977	5,234,000
Increase in Appropriation	<u>+206,000</u>

Adjustments in 1976:

Appropriation Act, 1976	\$5,028,000
1976 Supplemental Appropriation for pay costs	<u>+143,000</u>
Adjusted base for 1977	5,171,000
Budget estimate, 1977	5,234,000
Increase over adjusted 1976	<u>+63,000</u>

SUMMARY OF INCREASES

(On basis of adjusted appropriation)

	<u>1976</u>	<u>Increase</u>	<u>1977</u> <u>Estimate</u>
GSA space rental costs	\$168,000	+\$8,000	\$176,000
Annualization of the pay cost increase effective in FY 1976	143,000	+55,000	198,000
All other	<u>4,860,000</u>	- -	<u>4,860,000</u>
Total available	<u>5,171,000</u>	<u>+63,000</u>	<u>5,234,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1975	1976 (estimated)	Increase	1977 (estimated)
1. Administration of the Packers: and Stockyards Act	\$4,595,207	\$5,171,000	+\$63,000	\$5,234,000
Unobligated balance	303,793	- -	- -	- -
Total available or estimate.....	<u>4,899,000</u>	<u>5,171,000</u>	<u>+63,000</u>	<u>5,234,000</u>
Proposed Supplemental for pay increase costs.....	- -	-143,000		
Total, appropriation.....	<u>4,899,000</u>	<u>5,028,000</u>		

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration administers the Packers and Stockyards Act (7 U.S.C. 181-229); Truth-in-Lending Act (15 U.S.C. 1601 et seq) with respect to livestock, meat and poultry dealers; and the Fair Credit Reporting Act (15 U.S.C. 1681 et seq). The programs maintain effective competition and fair trade practices in livestock, meat and poultry marketing to assure that farmers and ranchers receive the true market value of their products, and that as patrons of public markets they are provided equal and efficient services and facilities at reasonable rates.

There are 2,025 stockyards posted under the Act. Of these, 1,992 are auction markets and 33 are terminal markets selling at private treaty; 14,438 persons and firms are registered as market agencies and dealers. There are approximately 5,500 packers subject to the Act; of these, 1,714 are required to file annual reports. There are approximately 400 poultry operations subject to the Act.

According to 1969 agricultural census data, livestock was being produced on 1.9 million farms in the United States. Chickens were sold on 151,000 farms and turkeys were sold on 5,425 farms that had total annual sales of \$2,500 or more.

Livestock and poultry transactions subject to the Act total approximately \$25 billion and \$3 billion, respectively, each year. This is about 30 percent of the cash income of U.S. farmers. Over \$30 billion in meat and dressed transactions annually are also subject to regulation.

The principal activities carried out in administering the Act are:

1. Investigation of packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices and conditions.
2. Investigation of livestock procurement methods by packers and dealers to assure that unfair trade practices detrimental to producers and the industry are not in use.
3. Surveillance of marketing methods at public markets to foster and maintain fair and effective competition.
4. Investigation of complaints regarding poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.
5. Carrying out weighing investigations to eliminate false and careless weighing to the maximum extent possible.
6. Investigation of custodial accounts to determine that shippers' proceeds are safeguarded and otherwise handled in conformance with existing regulations.
7. Investigation of financial condition of registrants and others subject to the Act to determine that they are financially sound and capable of meeting their obligations, and requiring bonds of auction operators, commission firms and dealers.
8. A poultry scale testing program and extension of livestock and monorail scale testing efforts to assure accurate scale facilities.
9. Study of services and facilities at public markets to determine that they are adequate.
10. Review of stockyard rates to determine that they are reasonable and commensurate with the services and facilities provided.
11. Investigation and providing for hearings and settlement of reparation complaints for money damages.
12. Registration of dealers and market agencies and posting stockyards.

JUSTIFICATION OF INCREASES

- (1) An increase of \$63,000 for Administration of the Packers and Stockyards Act consisting of:

(a) An increase of \$8,000 for space rental costs pursuant to P.L. 92-313 (\$168,000 available in FY 1976).

Need for Increase: Pursuant to P.L. 92-313, the Agency is required to budget for costs associated with occupied GSA controlled space. The 1976 Appropriation Act again limited the Department to paying 90 percent of the Standard Level User Charge used in computing the 1976 request. The funds requested in the 1977 Budget would (1) restore the full financing necessary to meet estimated billings provided by the General Services Administration, and (2) provide for additional general rate increases anticipated during FY 1977.

(b) An increase of \$55,000 for annualization of pay increases effective in FY 1976 (\$143,000 available in FY 1976).

Packers and Stockyards Administration

Work Activity	Investigations and Audits		Negotiated Settlements	Formal Actions	Expenditures ¹		Measurable Returns to Producers ²
	Field	Mail/Phone			Manyears	Dollars	
PACKER AND POULTRY							
Packers required to file annual reports . .							\$ 815,746
Packer annual reports reviewed							202,994
Livestock Procurement	220	213	91	16	19.76	\$ 474,661	447,370
Meat Merchandising	107	126	45	8	11.52	281,507	
Poultry Marketing	30	37	16		5.61	132,405	
LIVESTOCK MARKETING							
<u>Marketing Practices</u>							
No. of market reviews completed	830	848	335	107	38.78	906,514	1,338,762
Formal repARATION awards				13			16,607
Rates, Services and Facilities	107	134	15	8	11.18	255,802	2,586
Adjustments in proposed rate increases . .							2,044,446
Registrations, Bonds and Reports	701	1,100	30	48	40.81	670,699	146,857
Yards posted							
Market agencies and dealers registered . .							
Annual reports reviewed (stockyards, market agencies, dealers)							
Registration and bonding actions completed							
Recoveries on bonds	565	73	3	6	15.86	395,241	674,490
Scales and Weighing							715
Scale test reports reviewed							
<u>Administrative Activities</u>							
Annual Leave					15.31	261,532	
Other Leave					15.53	315,999	
Indirect Salaries and Expenses ³					12.63	242,278	
					1.65	280,795	
TOTALS	2,560	2,531	535	206	188.64	\$4,217,433	\$5,690,573

¹As reflected on EMSC Report of Expenditure and Labor for the period ending June, 1975.

²Includes only benefits resulting from awards, payments or savings from specific rate, contract, bond, reparation or trade practice actions undertaken by the agency. It also includes settlements between packers.

³Includes salaries for EEO, Civil Rights, Truth-in-Lending, Freedom of Information, etc. as well as expenses such as FTS, penalty mail, salary processing, etc.

STATUS OF PROGRAM

Current Activities: The Packers and Stockyards Act, 1921, as amended (7. U.S.C. 181-229), is designed to assure free and open competition, and fair trade practices in the marketing of livestock, live poultry, meat and dressed poultry. The major objectives of the Act are to protect producers and consumers against unfair business practices in the marketing of livestock, meat and poultry, and members of the livestock marketing and meat and poultry industries against unfair, deceptive, discriminatory and monopolistic practices of competitors.

These industries are continually changing in marketing structure including concentration of buying power, new merchandising and pricing practices, and new procurement methods. These activities are investigated and their economic effect upon competitive conditions in the livestock, poultry and meat industries are evaluated to determine their compliance with the Act.

Investigations are conducted to determine that packers' livestock procurement practices, meat merchandising methods, and chainstore buying practices do not involve proscribed malpractices. Through the use of required annual and special reports, as well as audits, the financial stability of these organizations is determined to guard against loss to persons and firms dealing with them. When violations are established, procedures to obtain cease and desist orders are initiated to prevent future violations.

Operations of stockyards, livestock market agencies, and dealers are investigated and audited to assure that their business practices are fair and in free open competition; that they are financially sound; and that adequate services and facilities are furnished by stockyards and market agencies at reasonable and nondiscriminatory rates and charges.

To assure accurate weights, the Department also supervises the testing, maintenance, and operations of scales used in transactions subject to the Act. The Department conducts a checkweighing program to determine if the scales are being used honestly. This involves reweighing livestock after it has been weighed at a market or selling preweighed livestock to a packer or dealer.

The law also provides for the Department to investigate claims for money damages and to issue a money award to anyone injured financially as a result of a violation by a stockyard owner, market agency, or dealer.

Selected Examples of Recent Progress:

1. Complaints and Formal Cases: The Agency received 2,111 complaints during fiscal year 1975. An aggregate amount of \$ 2,955,033 was paid to complainants in 316 informal settlements and \$16,607 was awarded to complainants in 13 formal reparation cases. Formal actions were initiated in 227 cases. At the end of the year 194 formal cases were pending. Two hundred six formal cases (reparations, civil, criminal and administrative) were completed.

2. Investigations and Audits: The Agency conducted 5,091 investigations and audits in fiscal year 1975. Field investigations and audits numbered 2,560. In addition, 2,531 investigations were conducted by mail and telephone.

3. Federal-State Relations: In recent years the Administration has developed an effective cooperative program with the States. Under this program the States have assisted the Agency in carrying out such activities as scale testing, checkweighing, and licensing and bonding. The Administration, as of June 30, 1975, had 60 Federal-State agreements with 62 agencies in 47 States. The Agency has continually assisted several States in implementing acts or amendments to existing laws relating to licensing, bonding and financial responsibility.

4. Financial Protection Program: The agency continued to give close attention to the financial condition of registrants. Seventy-eight administrative proceedings involved insolvency, improper handling of custodial accounts, or failure to pay for livestock. A review of annual reports showed 488 registrants had inadequate working capital totaling more than \$27,985,963. The agency's program directed toward voluntary compliance resulted in additions of working capital amounting to \$18,043,859. The Administration maintained a vigorous program to insure the integrity of custodial accounts. The special report procedure continued to be an important tool in the custodial account program. During the year 2,223 of these reports were reviewed with \$2,249,921 added to the accounts to assure payment to livestock sellers.

During the year the agency processed 474 claims amounting to \$4,889,560 against the bonds of 93 registrants. The claims against 39 of the registrants were resolved with payment of \$674,490. In addition 387 claimants collected \$447,496 during the fiscal year on claims filed prior to July 1, 1974. At the close of the fiscal year there were claims pending against the bond of 99 registrants.

The agency reviewed and processed 7,322 new surety bonds filed by livestock market agencies and dealers. These new bonds totaled over \$147,831,000 in coverage. A total of 1,064 riders to be attached to registrants' bonds and trust fund agreements were also reviewed and recorded.

During the year 8,166 requests from surety companies, registrants and trustees were received for the termination of registrants' bonds. As a result, a total of 8,166 bonds providing \$181,792,000 coverage were terminated and more than 24,000 letters on bond and trust fund agreement terminations were issued to sureties, registrants, area offices and trustees.

5. Livestock Marketing Activities: Continued emphasis was given to investigating and seeking correction of fraudulent practices in the sale of feeder cattle. Cases involving sale of cattle to feedlot operators on the basis of false weights and prices were investigated and corrective action was initiated. For example, (1) two dealers sold feeder cattle to farmers and feeders at weights purported to be purchase weights but which were considerably padded; (2) an Alabama market financed feeder purchases of a buyer for a dealer and permitted the buyer to buy back his livestock at higher prices to the detriment of his employer; (3) a California market bought livestock on order for a state university and marked up his purchase price to obtain a hidden profit; (4) a Louisiana auction market operator bought livestock from consignments for his dealer account and in some transactions sold livestock to feedlot operators at inflated weights.

Complaints involved practices at custom feedlots and were investigated to determine jurisdiction and seek compliance. A number of the complaints involved the financial integrity of the custom feedlots. A California dealer-feedlot operator contracted to feed cattle for an investor and guaranteed a profit for the investor. When market conditions made it apparent the cattle would lose money, the operator transferred the lot of cattle to a second investor at weights and prices that assured no loss to the original investor but the second investor lost heavily.

Industry practices resulted in many formal actions to correct various unfair practices. For example: (1) two Mississippi auction operators falsified health inspection records, removed and switched eartags and sold brucellosis-exposed and reactor cows as "clean"; (2) a California market operator guaranteed prices, gave free feed and financed dealer activities with custodial funds; (3) three California markets sold livestock to "competing" buyers on a rotation or turn system; (4) a Texas dealer bribed packer livestock weighers to obtain weight preferences, and (5) a California custom feedlot operator defaulted in payment to investors of several million dollars.

The auction market review program was continued in 14 States. Surveys of 123

markets were conducted. These surveys are one-day reviews of the business and operating practices of the firms to determine their compliance with the Act. The firms are generally put on notice of any illegal practices found.

6. Analysis of Industry Organization and Practices: The Agency's Industry Analysis Staff continued its appraisal and review of the economic significance of changing market structures and the economic effects of various forms of market behavior and trade practices in the livestock, meat, and poultry industries.

Review of procurement practices by meat packers indicates significant changes in market channels and pricing methods. Decreasing importance of terminal markets is continuing. Direct sales to packers are more important for fed steers and heifers than they are for hogs. Important differences were noted among major regions of the country in market channels for slaughter livestock. Grade and weight transactions are quite common in cattle (23 percent of total purchases, compared with only about 5 percent for calves, 6 percent for hogs, and 8 percent for sheep and lambs). Grade and weight outlets are not generally available to producers in many areas--especially for hog producers outside the West North Central Region. About 73 percent of total grade and weight purchases of hogs are in the West North Central Region. About 28 percent comes from one state--Iowa.

During the year, market concentration on a nationwide basis of the largest slaughtering firms was reviewed. Since the passage of the Packers and Stockyards Act in 1921, the percentages of U.S. slaughter accounted for by the four largest firms have declined from 49 to about 20 percent for cattle, and from 44 to about 26 percent for hogs. For sheep, however, concentration ratios during the period have not declined as much, from 62 to 49 percent.

The relevant market for farmers or feeders selling livestock is localized, even though the wholesale market for meat is a regional or even a nationwide market. A review of state level markets and submarkets within a state revealed concentrated procurement markets for lambs, hogs, and for fed cattle in many important producing states and nearly all other areas of the country.

The leading beef slaughterer in nine of the ten major beef states had one-fourth or more of the total slaughter. In the top five beef states the leading four firms had over half of the slaughter. The market was even more concentrated in some other leading states and generally dominated by four firms within smaller beef states.

For the ten leading hog slaughter states, the four-firm concentration ratio ranged from over 40 percent up to 100 percent. In seven of these ten states, the hog procurement was very highly concentrated (four-firm ratio of over 75 percent).

The situation is even worse in lamb procurement. Among four of the eight largest sheep states, the ranking buyer bought more than one-half of the lambs. Generally, four firms did all the lamb buying at the local level.

The lowest four-firm concentration level was in California where the four leading buyers still purchased about three-fourths of the lambs.

Because of the highly concentrated local procurement market, packer custom feeding has real potential for further decreasing competition in livestock procurement. Conflicts of interest which arise when packers sell cattle owned by clients of their custom feeding operation are likely to further restrict competition for livestock. Also, the impact of vertical integration in an already concentrated market can be expected to confer additional market power to the buying side of livestock marketing.

7. Packer and Poultry Activities: With sales exceeding \$31 billion, the meat packing industry continues to be one of the largest and most important in the United States. Changes in livestock feeding methods have triggered not only relocation of slaughtering plants, but new economic structures and innovative

marketing practices. In this period of dynamic change, it is necessary for the agency to implement its programs to insure that such changes do not erode the free and open competition that is necessary to protect all interests at all levels in the industry. The agency's program continues to be based primarily on complaints generated by these new concepts and practices in pricing and marketing which are emerging.

Regulation 201.70a became effective on July 1, 1974, which prevents meat packers from controlling custom feedlots. Custom feedlots are the dominant market place for fed livestock today. Complaints have been issued against a California meat packer and a Colorado meat packer alleging violations of 201.70a. It is anticipated that, if the agency prevails through the administrative process, the cases will be appealed to test the validity of the regulation. The complaint against the Colorado packer also alleges other serious violations of the Act, including favored pricing on livestock sold by stockholders, paying livestock sellers on the basis of inaccurate weights and grades, and that at least two stockholders received thousands of dollars in payment at the expense of others. An investigation is nearing completion of a large packer and feedlot operation in Kansas and Oklahoma.

Several of the nation's largest beef slaughterers are being investigated concerning a restriction of competition in their procurement of cattle in the midwest and southwest areas of the United States. It appears that these meat packers may have engaged in a concerted action by refusing to bid livestock feeders on the basis of live weight and insisting on bidding on the basis of grade and weight with the price to be determined on the "yellow sheet" on the date of delivery. The data is being reviewed on ADP for pricing patterns.

An investigation is being conducted of several meat packers in Texas involving a favored pricing system on cows to livestock dealers over livestock producers.

The marketing of livestock on a grade and weight basis continues to be an important area of work for the agency. The complaint against the Colorado meat packer mentioned above involved thousands of dollars in weight manipulations on beef carcasses. An investigation is presently being conducted in California of one of the major meat packers in the nation on weight manipulations in purchasing lambs on a grade and weight basis.

Consignment selling of livestock is becoming a problem area in California. Two investigations have been completed on consignment slaughtering of livestock which reveal weight and grade manipulations and false and inaccurate accounting and payment based on the false and inaccurate accounting to the consignors. It is expected that complaints will be issued in the near future.

Payment for livestock has been a serious problem to livestock producers throughout the United States. Several large meat packers have failed to pay for greater than \$24 million in livestock this year. It has created chaotic conditions in the industry, and caused severe financial damage to numerous livestock producers. An administrative complaint has been issued against American Beef Packers, Inc., alleging failure to pay for livestock, that the firm purchased and slaughtered livestock notwithstanding the fact that they knew that they were unable to pay for such livestock, and that by slaughtering the livestock they were, in effect, depriving the producers of their rightful property without compensation. They made greater than \$1,400,000 in preferential payments in the form of certified checks to various friends and/or close business associates of the president and chairman of the board. They embarked upon a scheme or plan to obtain financing and working capital in excess of their credit limit, thereby undermining said respondents' financial stability and jeopardizing their payment for livestock. They were also charged with deliberate use of distant bank accounts to create an unreasonably large float which resulted in interest-free funds which equitably belonged to stockholders who had sold livestock to the firm. The president, vice president, and two corporations were also indicted by a Federal court. The administrative complaint and indictment culminated an 8-month investigation by the U.S. Attorney's Office, Omaha, Nebraska, the FBI, Post Office investigators, and this agency.

A program has been implemented to secure compliance with the advertising and promotion policy statement which was adopted. This has consisted primarily of an educational program by our field offices through contacts with the major packers engaging in cooperative advertising. Several investigations have resulted in formal actions and two cease and desist orders were entered against packers for failing to comply with the guides.

The practice of bait-and-switch advertising continues to be a problem in the meat industry. The agency has investigated numerous complaints concerning this practice and has assisted State and county agencies in many others.

As a result of a complaint, an investigation was made of a major packer for alleged price discrimination in the sale of processed meats. The investigation report was referred to the Office of the General Counsel recommending formal action against this firm. A complaint was issued against this firm for engaging in price discrimination in the sale of processed meats in the Washington, D.C.-Baltimore Metropolitan area.

As a result of complaints received the practice of A. G. in St. Louis, Missouri and Wichita, Kansas requiring a 1 percent discount from all meat suppliers was investigated. The evidence developed indicated that this discount was required for the privilege of selling to this coop. chain. All meat suppliers were placed on notice that this practice was in violation of the Act and appropriate corrective action was taken.

Formal actions have been initiated against a number of packers for alleged commercial bribery payments to meat buyers of food chains. Four cases have been settled on a consent order basis and one hearing has been held. Several other investigations of this practice were conducted during the year and files have been referred to the Office of the General Counsel requesting formal action. The agency continues to work closely with a number of other governmental agencies on this practice and several additional investigations are being conducted at the present time.

As a result of complaints received, an investigation was conducted of a major packer assigning an employee to a chainstore buying office to assist the chain in the procurement and merchandising of meat and meat food products. Evidence developed indicates that this arrangement was concealed in the records of the packers and chains, and resulted in falsification of records. A complaint was issued against the packer for engaging in this practice.

The agency requested special reports from most of the major slaughterers in the United States concerning purchases and sales of carcasses to other slaughterers. At the present time we are in the process of analyzing this information in cooperation with the Department of Justice to determine if there are indications of unfair practices and illegal arrangements between competitors. This analysis will probably provide leads for several investigations which may involve violations of the P&S Act.

The Agency's activities in poultry have continued. Complaints were received involving boycotting of broiler growers by integrated poultry firms, unfair weighing practices, breach of contract, price discrimination, and failure to pay promptly for live poultry purchased. There are two investigations presently pending in which formal action has been recommended against the firms. Allegedly these firms retroactively reduced the payment terms set out in their grow-out contracts with the broiler growers and paid the growers in accordance with the retroactive payment terms.

The Agency is continuing its poultry regulations compliance program in an effort to correct any discrepancies noted in the firms' operations with respect to grow-out contracts, accounting, scales and weighing and payment problems on an informal basis. This program is proving successful in assuring full and complete

information to the poultry grower in connection with his dealings with the poultry integrator and has resulted in a reduction of the number of complaints received from the poultry growers.

8. Registration Actions: As of July 1, 1974, there were 4,400 persons and firms registered as market agencies and 10,781 registered as dealers under the Act. During the fiscal year ending June 30, 1975, the Registrations, Bonds, and Reports Branch received, reviewed and processed 630 new market agency and 1,175 dealer registrations. The Branch also rendered inactive the registrations of 826 market agencies and 1,722 dealers. At the close of the year there were 4,204 market agency and 10,234 dealer registrations in effect. A total of 14,438 persons and firms are currently registered.

9. Scales and Weighing: The livestock scale testing program functioned at a level slightly less than last year. This year 11,406 tests were conducted on 5,091 scales as compared to 12,054 tests on 5,223 scales the previous year. The percentage of scales inaccurate in fiscal year 1975 was 18.4 as compared to 19.8 in 1974.

Of the 423 monorail scales used in purchasing livestock on a grade and weight basis, 99.5 percent were tested in 1975. One hundred fifty-five scales, or 36.6 percent were inaccurate this year as compared with 135 scales or 31.1 percent last year.

At present 46 of the monorail scales are installed in systems so that the livestock carcasses are weighed while in motion. Since in many instances these scales weigh as many as 8,000 hog carcasses a day, a consistent error of a pound or more can be extremely costly to either the meat packer or the livestock producer.

This year 248 vehicle scales used for weighing live poultry or 96.9 percent of the scales owned or controlled by subject firms were tested. In addition, 72.7 percent of the 77 vehicle scales not owned or controlled by subject firms but used for weighing live poultry were also tested; 83 percent of the vehicle scales owned by subject firms were tested twice as required by the regulations.

The program of seeking to reduce the percentage of scales found upon test to be inaccurate was continued. Since this program was implemented, the agency has reduced the number of problem livestock scales from 488 in fiscal year 1972 to 215 at the end of fiscal 1975. During the same period of time, the number of problem monorail scales was reduced from 118 to 60. During the year the agency was successful in correcting the conditions contributing to the classification of 149 livestock scales and 26 monorail scales as "problem scales". However, during the year 159 livestock scales and 29 monorail scales were also added to the problem scale list. The necessary corrections were effected on 35 livestock and 4 monorail scales added to the list during the year. These "problem scales" result in inaccurate weighing of livestock and meat.

A livestock checkweighing program is routinely conducted on a spot check basis to determine if livestock is accurately weighed. In fiscal year 1975, checkweighing and direct sales weighing investigations were conducted at 333 markets as compared with 372 markets the previous year. Inaccurate weighing practices were found at 52 markets or 15.6 percent of the markets checked. In fiscal year 1974, inaccurate weighing was found at 86 markets or 23.1 percent. During the year records of 29 stocker-feeder and hog dealers were reviewed by this Agency to determine if the livestock were sold on actual weights determined at point of origin and if the ultimate buyer received proper accounting. In 5 instances, evidence of padding weights and/or price were found which will result in formal administrative action. Two administrative complaints were issued during the year charging false weighing practices and five decisions and orders issued by the Judicial Officer. In all instances the respondents were ordered to cease and desist from the false weighing practices alleged and their registrations were suspended for a substantial period of time.

10. Rates, Services, and Facilities: Proposed rate increases for 13 central markets, 5 market agency groups and 215 auction markets were processed. Direct savings to shippers resulted from disapproval of proposed increases amounting to \$2,044,446 on an annual basis. A total of 1,208 new tariffs were analyzed.

Three proposed increases in rates were suspended during the year.

Protection of the environment has required stockyard operators to evaluate operation and design procedures to determine methods to meet the standards of State and Federal agencies. The Rates, Services, and Facilities Branch has consulted and assisted several market operators in developing plans to economically comply with waste treatment requirements. Impressive reductions in the quantity of waste water requiring treatment have resulted where our designs have been implemented.

Investigations of livestock markets to determine adequacy of services and facilities were made at 38 markets. Recommendations for necessary improvements to services and facilities were made to the market operators. It is estimated that construction savings of \$250,000 and reduction of \$270,000 in annual operating expenses would result if the suggestions are followed:

11. Jurisdictional Activities under the Packers and Stockyards Act:

Activity	Fiscal Year				
	1971	1972	1973	1974	1975
Yards posted	2,105	2,018	2,036	2,041	2,025
Market agencies and dealers registered	14,985	15,167	15,445	15,181	14,438
Packers (est).....	2,206*	2,086*	1,972*	1,755*	1,714*

*Includes only packers required to file annual reports.

12. Complaints Investigated and Formal Proceedings Under the Packers and Stockyards Act:

Activity	Fiscal Year				
	1971	1972	1973	1974	1975
Complaints received:	6,709	2,652*	3,047*	3,062*	2,111*
Investigations and audits.....	7,508	5,698	5,845	4,858	5,091
Cases pending start of year.....	140	174	149	176	176
New and reopened cases.....	265	237	257	233	227
Cases disposed of..	233	258	223	235	206
Cases pending end of year.....	174	153	183	174	197

*Only significant complaints recorded and reported.

The following is a geographic breakdown of obligations and man-years by location:

	1975 Actual		1976 Estimate		1977 Estimate	
	<u>Amount</u>	<u>Man-Years</u>	<u>Amount</u>	<u>Man-Years</u>	<u>Amount</u>	<u>Man-Years</u>
California	\$232,733	10	\$267,200	12	\$269,200	12
Colorado.....	202,759	9	217,600	9	220,100	9
District of Columbia.	1,795,223	61	2,010,700	64	2,046,600	64
Georgia	219,019	10	225,900	10	227,400	10
Illinois	219,530	11	224,900	10	227,700	10
Indiana	208,424	10	227,000	10	228,700	10
Minnesota	221,022	10	251,900	11	253,900	11
Missouri	258,838	12	301,000	13	304,500	13
Nebraska	270,694	13	309,000	14	312,500	14
New Jersey	182,986	8	236,900	10	238,500	10
Oregon	196,573	9	211,300	9	212,700	9
Tennessee	202,507	9	220,800	9	222,400	9
Texas	228,644	10	273,100	13	275,100	13
Virginia	156,255	7	193,700	8	194,700	8
Total, P&SA	4,595,207	189	5,171,000	202	5,234,000	202

FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The efforts of the Food and Nutrition Service are directed at eliminating poverty-caused hunger and malnutrition in this country. Food assistance programs provide access to a nutritionally adequate diet for families and persons with low incomes and encourage better eating patterns among the nation's children. The Food and Nutrition Service administers the following programs--

Institutional Nutrition Support. Working through State agencies, the Food and Nutrition Service provides Federal assistance in the form of cash and commodities for nutritious meals served to children in schools, day-care centers, or other organized activities away from home. The purpose is to help maintain the health and proper physical development of American children. This assistance is provided through the National School Lunch Program, the school breakfast program, the summer food program and the child care food program. The agency also provides commodity assistance to elderly feeding programs. Assistance is directly linked to the number of meals served, and the rates of support for the various categories of meals are mandated by law. The institutional nutrition support program will be financed by one direct appropriation which will include a transfer of funds made available under section 32 of the Act of August 24, 1935.

Special Nutrition Supplements. Developmental nutrition supplementation provided cash grants to make supplemental food available to pregnant women, nursing mothers, infants and children up to five years of age. Delivery may be accomplished through health clinics, vouchers redeemable at retail food stores, or other approved methods which a cooperating State health agency may select. The commodities in lieu of food stamps program provides food assistance in the form of donated commodities in areas where the food stamp program is not operating. In FY 1976 assistance is being provided to needy families on Indian reservations where the food stamp program is not available. In FY 1977 assistance will be provided until the latter part of the year when the food stamp program will go into operation in these last remaining areas. The program was formerly carried out with commodities made available through section 32 surplus removal, section 416 price support, and a direct appropriation for the food donations program. The project support activity includes food service equipment grants, State administrative expenses, nutritional training and surveys, grants for nutrition education, financial assistance under direct distribution to families, and cash assistance under the food donations program.

Food Stamp Program. In cooperation with the State welfare agencies, the Food and Nutrition Service helps persons and families with low incomes to obtain a nutritionally adequate diet through regular retail food stores. Food stamps with a face value higher than the cash paid are issued to participating households. Those with no income receive their stamps free and in no instance does the charge exceed 30 percent of net income. Funds for this program are provided by direct appropriation.

Special Milk Program. Federal assistance is given to States to reimburse eligible schools and child-care institutions which provide milk to children in order to increase the consumption of fluid milk by children. Funds for this program have been provided by direct appropriation.

Food Program Administration. This represents all the salaries and Federal operating expenses of the Food and Nutrition Service. As of October 25, 1975, there were 2,498 full-time permanent and 82 part-time and temporary employees in the agency. There were 934 employees in 270 (including 33 District Managers and 43 satellites) field locations; 813 were in six Regional Offices; 833 were in the Washington headquarters.

Available Funds and Man-Years
Under New Activity Structure
1975 and Estimated, 1976 and 1977

Item	Actual		Estimated		Budget Estimate	
	1975		Available, 1976		1977	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Food and Nutrition Service:						
Institutional Nutrition Support	1,491,945,000	...	1,618,941,000 <u>a/</u>	...	2,800,307,000 <u>b/</u>	...
Special Nutrition Supplements	34,921,000	...	292,710,000	...	277,677,000 <u>c/</u>	...
Food Stamp Program <u>d/</u>	4,835,070,000	...	5,153,565,000	...	4,743,268,000	...
Food Program Administration	44,162,000	2,193	55,909,000	2,531	60,889,000	2,709
Special Milk Program ...	124,068,000	...	143,111,000	...	...	...
Allotment from Funds for Strengthening Markets, Income and Supply (Section 32) ...	154,731,277	211	64,438,000	117	...	...
Total, Food and Nutrition Service	6,684,897,277	2,404	7,328,674,000	2,648	7,882,141,000	2,709

	1975 <u>Actual</u>	1976 <u>Estimated</u>	1977 <u>Estimated</u>
End-of-Year Employment:			
Permanent full-time	2,359	2,434	2,434
Other	236	100	100
Total	<u>2,595</u>	<u>2,534</u>	<u>2,534</u>

a/ Excludes \$71,817,851 carryover from FY 1975.

b/ Includes commodities of \$500,867,000 for Child Feeding Programs and \$22,000,000 for the Elderly Feeding Program formerly purchased with Agricultural Marketing Service and Commodity Credit Corporation funds.

c/ Includes \$3,424,000 Commodities in Lieu of Food Stamps formerly purchased with Agricultural Marketing Service and Commodity Credit Corporation funds.

d/ Excludes transfer to OIG of \$5,245,000 in 1975; \$6,635,000 in 1976; and \$7,932,000 in 1977.

Available Funds and Man-Years
1975 and Estimated, 1976 and 1977

Item	Actual 1975		Estimated Available, 1976		Budget Estimate 1977	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Food and Nutrition Service:						
Child Nutrition Programs <u>a/</u>	1,535,811,000 <u>b/</u>	374	1,656,032,000 <u>c/</u>	354	2,297,140,000	461
Special Milk Program.	125,000,000	43	144,000,000	40	...	...
Food Donations Program.....	...	...	17,839,000	20	19,742,000	20
Food Stamp Program...	4,869,355,000 <u>d/</u>	1,776	5,196,365,000 <u>e/</u>	2,025	4,786,468,000 <u>f/</u>	2,025
Allotment from Funds for Strengthening Markets, Income and Supply (Sec. 32)....	154,731,277	211	64,438,000	117	2,500,000	82
Special Supplemental Food Program (WIC)..	...	...	250,000,000 <u>g/</u>	92	250,000,000	121
Total, Food and Nutrition Service...	6,684,897,277	2,404	7,328,674,000	2,648	7,355,850,000	2,709

End-of-Year Employment:	1975 <u>Actual</u>	1976 <u>Estimated</u>	1977 <u>Estimated</u>
Permanent full-time.	2,359	2,434	2,434
Other.....	236	100	100
Total.....	<u>2,595</u>	<u>2,534</u>	<u>2,534</u>

a/ Includes transfers from Section 32 in lieu of direct appropriation as follows: 1975, \$705,926,000; 1976, \$737,111,000; and estimated 1977, \$1,111,000,000.

b/ Excludes \$22,342,105 carryover from FY 1974.

c/ Excludes \$71,817,851 carryover from FY 1975.

d/ Excludes \$130,496,786 carryover from FY 1974 and OIG transfer \$5,245,000.

e/ Excludes \$586,528,953 carryover from FY 1975 and OIG transfer \$6,635,000.

f/ Excludes OIG transfer \$7,932,000.

g/ Includes transfer from AMS \$144,000,000.

Food Assistance Programs - Fiscal Years 1975-1977
Budget Authority and Program Obligations by Program - Old Activity Structure
(dollars in thousands)

Program	Budget Authority					Program Level (Obligations)				
	1975 Actual	1976 Current Estimate	T.Q. Current Estimate	1977 Budget Estimate	1977 Compared With 1976 Estimate	1975 Actual	1976 Current Estimate	T.Q. Current Estimate	1977 Budget Estimate	1977 Compared With 1976 Estimate
A. CHILD NUTRITION PROGRAMS:										
1. CASH GRANTS TO STATES:										
(A) SCHOOL LUNCH PROGRAM FNS CHILDO NUTRITION AMS SECTION 32	464,956 0	521,300 0	1/ 82,000 0	585,000 0	66,700 0	464,956 0	521,300 0	82,000 0	585,000 0	66,700 0
SUBTOTAL	464,956	521,300	82,000	585,000	66,700	464,956	521,300	82,000	585,000	66,700
(B) FREE AND HP LUNCH PROGRAM FNS CHILDO NUTRITION AMS SECTION 32	804,000 373	980,533 0	1/ 148,950 0	1,168,000 0	187,467 0	819,000 372	998,350 0	148,950 0	1,168,000 0	169,650 0
SUBTOTAL	804,373	980,533	148,950	1,168,000	187,467	818,373	998,350	148,950	1,168,000	169,650
(C) SCHOOL BREAKFAST PROGRAM FNS CHILDO NUTRITION AMS SECTION 32	81,000 0	116,500 0	1/ 26,000 0	184,000 0	67,500 0	83,000 0	116,500 0	26,000 0	184,000 0	67,500 0
SUBTOTAL	81,000	116,500	26,000	184,000	67,500	83,000	116,500	26,000	184,000	67,500
(D) NONFOOD ASSISTANCE PROGRAM FNS CHILDO NUTRITION AMS SECTION 32	28,000 0	20,650 0	0 0	0 0	-20,650 0	28,044 0	20,650 0	0 0	0 0	-20,650 0
SUBTOTAL	28,000	20,650	0	0	-20,650	28,044	20,650	0	0	-20,650
(E) STATE ADMIN. EXPENSES FNS CHILDO NUTRITION AMS SECTION 32	6,700 0	7,700 0	1/ 1,700 0	7,700 0	0 0	6,000 0	7,700 0	1,700 0	7,700 0	0 0
SUBTOTAL	6,700	7,700	1,700	7,700	0	6,000	7,700	1,700	7,700	0
(F) SUMMER FOOD PROGRAM FNS CHILDO NUTRITION AMS SECTION 32	52,000 51,523	28,000 5,000	1/ 120,000 0	132,000 0	104,000 -8,000	2,075 51,523	80,000 5,000	120,000 0	132,000 0	52,000 -8,000
SUBTOTAL	103,523	36,000	120,000	132,000	96,000	52,599	88,000	120,000	132,000	44,000
(G) CHILD CARE FOOD PROGRAM FNS CHILDO NUTRITION AMS SECTION 32	25,000 21,416	112,000 0	1/ 28,500 0	120,000 0	8,000 0	25,832 21,416	114,000 0	28,500 0	120,000 0	6,000 0
SUBTOTAL	46,416	112,000	28,500	120,000	8,000	47,248	114,000	28,500	120,000	6,000
(H) CASH IN LIEU OF COMMODITIES AMS SECTION 32	5,100	52,502	4,000	0	-52,502	5,100	52,502	4,000	0	-52,502
TOTAL, CASH GRANTS TO STATES	1,539,968	1,847,185	411,150	2,199,700	352,515	1,508,220	1,919,002	411,150	2,199,700	280,698
TOTAL, FNS CHILDO NUTRITION TOTAL, AMS SECTION 32	1,461,556 78,412	1,796,683 60,502	407,150 4,000	2,199,700 0	413,017 -60,502	1,429,808 78,412	1,955,500 60,502	407,150 4,000	2,199,700 0	341,200 -60,502
2. COMMODITIES TO STATES:										
(A) FNS CHILDO NUTRITION (SECTION 5)	64,325	80,000	20,000	586,307	506,307	64,320	80,000	20,000	586,307	506,307
(B) AMS SECTION 32	171,469	132,300	52,479	0	-182,309	171,469	182,300	52,479	0	-182,300
(C) COMMODITY CREDIT CORPORATION	121,819	180,166	16,959	0	-180,166	121,819	180,166	16,959	0	-180,166
TOTAL, COMMODITIES	357,613	442,466	89,438	586,307	143,841	357,608	442,466	89,438	586,307	143,841
3. NUTRITIONAL TRAINING & SURVEYS										
FNS CHILDO NUTRITION	1,000	1,000	1/ 0	0	-1,000	877	1,000	0	0	-1,000
4. FEDERAL OPERATING EXPENSES										
FNS CHILDO NUTRITION	8,930	11,700	1/ 3,000	12,000	300	8,945	11,700	3,000	12,000	300
TOTAL, CHILD NUTRITION PROGRAMS	1,907,511	2,302,351	503,588	2,798,007	495,656	1,875,650	2,374,168	503,588	2,798,007	423,839
TOTAL, FNS CHILDO NUTRITION TOTAL, AMS SECTION 32	1,535,811 249,881	1,879,283 242,802	430,150 56,479	2,798,007 0	918,624 -242,802	1,503,950 249,881	1,951,200 242,802	430,150 56,479	2,798,007 0	346,807 -242,802
TOTAL, CCC	121,819	180,166	16,959	0	-180,166	121,819	180,166	16,959	0	-180,166
B. SPECIAL MILK PROGRAM (FNS)										
1. CASH PAYMENTS	124,068	2/ 143,111	0	0	-143,111	124,068	143,111	2/ 889	0	-143,111
2. OPERATING EXPENSES	932	889	0	0	-889	870	889	0	0	-889
TOTAL, SPECIAL MILK	125,000	144,000	0	0	-144,000	124,938	144,000	0	0	-144,000

Program	Budget Authority					Program Level (Obligations)					1977
	1975 Actual	1976 Current Estimate	T.Q. Current Estimate	1977 Budget Estimate	1977 Estimate Compared With 1976 Estimate	1975 Actual	1976 Current Estimate	T.Q. Current Estimate	1977 Budget Estimate	1977 Estimate Compared With 1976 Estimate	
C. FOOD STAMP PROGRAM (FNS)											
1. BONUS COSTS	4,514,070	4,828,265	945,316	4,390,269	-437,997	4,117,469	5,282,794	1,077,316	4,390,269	-892,526	
2. OTHER PROGRAM COSTS	321,000	325,300	81,325	353,000	27,700	276,590	325,300	81,325	353,000	27,700	
3. OPERATING EXPENSES	34,285	42,800	10,800	43,200	400	35,889	42,800	10,800	43,200	400	
TOTAL, FOOD STAMP PROGRAM	4,869,355	5,196,365	1,037,441	4,786,468	-400,897	4,429,948	5,650,894	1,169,441	4,786,468	-864,426	
D. DIRECT DISTRIBUTION TO FAMILIES:											
1. AMS SECTION 32 COMMODITIES	10,910	5,600	1,345	0	-5,500	10,910	5,600	1,956	0	-5,600	
2. CCC SECTION 416 COMMODITIES	24,380	3,000	339	0	-7,000	24,350	3,900	389	0	-3,900	
3. AMS SECTION 32 ASSIST. TO STATES	2,096	0	0	0	0	2,096	0	0	0	0	
4. AMS SECTION 32 COMMODITIES FOR SPECIAL PACKAGE PROGRAM	7,417	6,000	1,596	0	-6,000	7,417	6,000	1,596	0	-6,000	
5. AMS SECTION 32, SPECIAL PKG. - FARINA	239	0	0	0	0	239	0	0	0	0	
6. CCC SECTION 416, SPECIAL PKG.	0	3,500	779	0	-3,500	0	3,500	779	0	-3,500	
TOTAL, DIRECT DIST. TO FAMILIES	45,042	19,000	4,750	0	-19,000	45,042	19,000	4,750	0	-19,000	
E. DIRECT DISTRIBUTION TO INSTITUTIONS											
1. AMS SECTION 32 COMMODITIES	1,534	2,000	0	0	-2,000	1,534	2,000	0	0	-2,000	
2. CCC COMMODITIES	21,460	16,243	5,000	15,000	-1,243	21,499	16,243	5,000	15,000	-1,243	
TOTAL, DIRECT DIST. TO INSTITUTIONS	23,033	18,243	5,000	15,000	-3,243	23,033	18,243	5,000	15,000	-3,243	
F. FOOD DONATIONS PROGRAM (FNS)											
1. FAMILIES	0	4,500	1,125	4,862	362	0	4,500	1,125	4,862	362	
2. INSTITUTIONS	0	0	0	0	0	0	0	0	0	0	
3. CASH ASSISTANCE	0	900	225	765	-135	0	900	225	765	-135	
4. SPECIAL SUPPLEMENTAL PACK.	0	12,000	3,000	17,100	5,100	0	12,000	3,000	17,100	5,100	
5. FEDERAL OPERATING EXPENSES	0	439	110	439	0	0	439	110	439	0	
TOTAL, FOOD DONATIONS PROGRAM	0	17,839	4,460	23,166	5,327	0	17,839	4,460	23,166	5,327	
G. ELDERLY FEEDING											
1. AMS SECTION 32	5,413	8,500	2,700	0	-8,500	5,413	8,500	2,700	0	-8,500	
2. CCC SECTION 416	0	2,000	0	0	-2,000	0	2,000	0	0	-2,000	
3. FNS	0	0	0	22,000	22,000	0	0	0	22,000	22,000	
TOTAL, ELDERLY FEEDING PROGRAM	5,413	10,500	2,700	22,000	11,500	5,413	10,500	2,700	22,000	11,500	
H. SPECIAL SUPPLEMENTAL FOOD PROGRAM											
1. AMS SECT. 32 WOMEN, INFANTS AND CHILDREN PROGRAM CASH GRANTS	92,438	0	0	0	0	92,438	0	0	0	0	
2. AMS SECTION 32, PILOT FOOD CERTIFICATE PROGRAM	668	750	188	0	-750	668	750	188	0	-750	
3. FNS WOMEN, INFANTS, CHILDREN	0	250,000	0	250,000	0	0	189,000	61,000	250,000	61,000	
TOTAL, SUPPLEMENTAL FOOD PROGRAM	93,106	250,750	188	250,000	-750	93,106	189,750	61,188	250,000	60,250	
I. SECTION 32 OPERATING EXPENSES:											
1. AMS SECTION 32, ALLOCATED TO FNS	3,254	3,185	737	2,500	-685	3,254	3,186	737	2,500	-656	
2. AMS SECTION 32, AMS	3,317	3,742	946	3,795	43	3,317	3,742	946	3,785	43	
TOTAL, SECTION 32 OPERATING EXPENSES	6,571	6,928	1,743	6,285	-643	6,571	6,928	1,743	6,285	-643	
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GRAND TOTAL, FOOD ASSISTANCE	7,075,031	7,965,976	1,559,870	7,900,926	-65,050	6,603,701	8,431,322	1,752,870	7,900,926	-530,396	
=====											
RECAPITULATION											
OBLIGATIONS-CURRENT BUDGET AUTHORITY											
FNS CHILD NUTRITION ACCOUNT	1,535,811	1,879,383	430,150	0	-1,879,383	1,503,950	1,951,200	430,150	0	-1,951,200	
FNS SPECIAL MILK PROGRAM ACCOUNT	125,000	144,000	0	0	-144,000	124,938	144,000	0	0	-144,000	
FNS FOOD STAMP PROGRAM ACCOUNT	4,869,355	5,196,365	1,037,441	0	-5,196,365	4,429,948	5,650,894	1,169,441	0	-5,650,894	
FNS FOOD DONATIONS PROGRAM	0	17,839	4,460	0	-17,839	0	17,839	4,460	0	-17,839	
FNS WIC PROGRAM ACCOUNT	0	250,000	0	0	-250,000	0	189,000	61,000	0	-189,000	
TOTAL	6,530,166	7,487,587	1,472,051	0	-7,487,587	6,058,836	7,952,933	1,665,051	0	-7,952,933	
OBLIGATIONS-PERMANENT BUDGET AUTHORITY											
FNS CHILD NUTRITION, TRANSFERRED FROM AMS SECTION 32	(705,926)	(737,111)	(20,000)	(0)	(-737,111)	(705,926)	(737,111)	(20,000)	(0)	(-737,111)	
AMS SECTION 32 (DIRECT PROGRAM)	377,167	272,580	64,692	0	-272,580	377,167	272,580	64,692	0	-272,580	
(ALLOCATED TO FNS)	(200,050)	(208,142)	(59,707)	(0)	(-208,142)	(200,050)	(208,142)	(59,707)	(0)	(-208,142)	
COMMODITY CREDIT CORPORATION	(177,107)	(64,438)	(4,985)	(0)	(-64,438)	(177,107)	(64,438)	(4,985)	(0)	(-64,438)	
TOTAL	544,865	478,389	87,819	0	-478,389	544,865	478,389	87,819	0	-478,389	
OBLIGATIONS-CURRENT BUDGET AUTHORITY											
INSTITUTIONAL NUTRITION SUPPORT			2,800,307	+2,800,307					2,800,307	+2,800,307	
SPECIAL NUTRITION SUPPLEMENTS			277,677	+277,677					277,677	+277,677	
FOOD PROGRAM ADMINISTRATION			60,889	+60,889					60,889	+60,889	
FOOD STAMP PROGRAM			4,743,268	+4,743,268					4,743,268	+4,743,268	
AMS MARKETING SERVICES			3,785	+3,785					3,785	+3,785	
TOTAL			7,885,926	+7,885,926					7,885,926	+7,885,926	
OBLIGATIONS-PERMANENT BUDGET AUTHORITY											
COMMODITY CREDIT CORP. - INSTITUTIONS			15,000	+15,000					15,000	+15,000	
FNS INSTITUTIONAL NUTRITION SUPPORT			(1,111,000)	(-1,111,000)					(1,111,000)	(-1,111,000)	
=====											
GRAND TOTAL	7,075,031	7,965,976	1,559,870	7,900,926	-65,050	6,603,701	8,431,322	1,752,870	7,900,926	-530,396	

1/ Includes supplemental appropriation request of \$223,351.

2/ Supplemental appropriation request.

3/ Areallocation of \$40,000 has been proposed.

Family Food Assistance

Established as the primary means of family food assistance by the Congressional mandate of August 1973, the Food Stamp Program is now available nationwide and in most outlying areas. Thus, 99.5 percent of Americans receiving family food assistance in fiscal year 1975 were food stamp users. The rest were mainly Indians living on reservations, which have been granted an option to continue food distribution until June 30, 1977.

During fiscal year 1975:

- An average of 17.4 million people were receiving family food assistance, 16.8 percent above the average in fiscal year 1974.
 - Federal payments for family food assistance totaled \$4.4 billion, up 53 percent over the previous year, reflecting increased food costs, the rise in unemployment, and the switch from food distribution to food stamps.
- In 10 States and territories, less than 5 percent of the population received family food assistance; in 30, between 5 and 9 percent; in 10, between 10 and 14 percent; and in 5, over 15 percent.
 - Some 30,000 victims of natural disasters, such as floods, hurricanes, and tornadoes, received approximately \$1.2 million worth of food stamp aid. Less emergency assistance was required than in fiscal year 1974, when almost 150,000 people received over \$2.1 million worth of emergency food assistance.

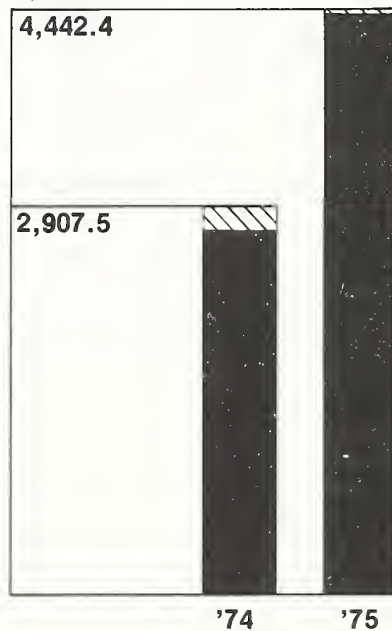
Average Monthly Participation
Millions of Recipients

Up 16.8%



Federal Contribution
Millions of Dollars

Up 52.8%

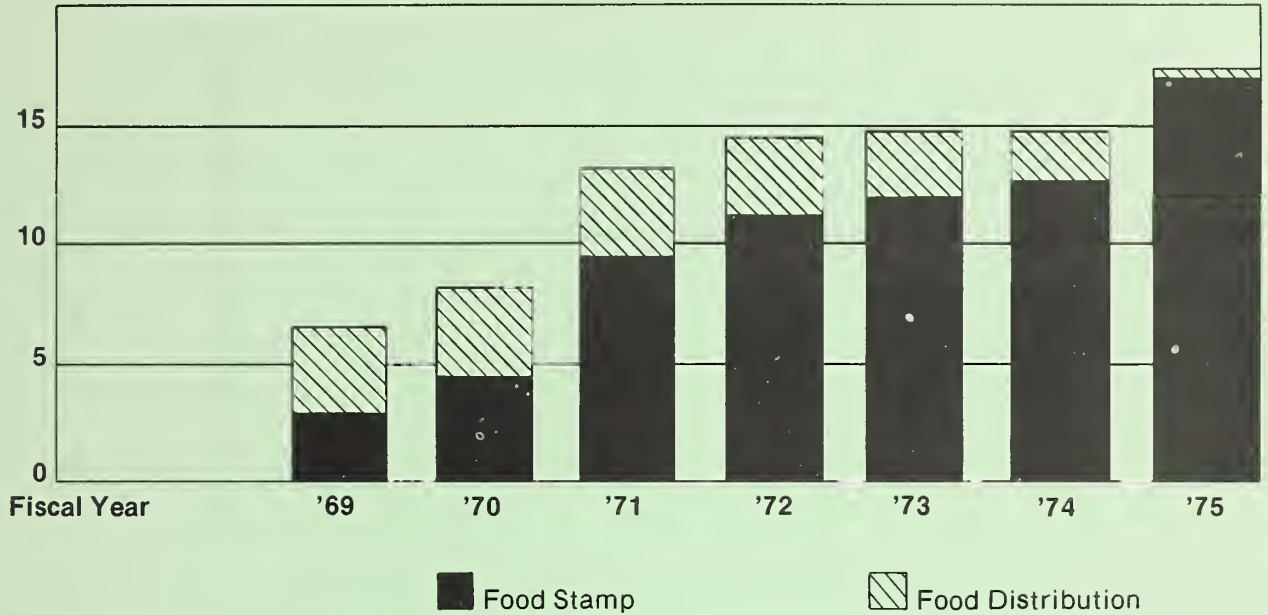


 Food Stamp

 Food Distribution

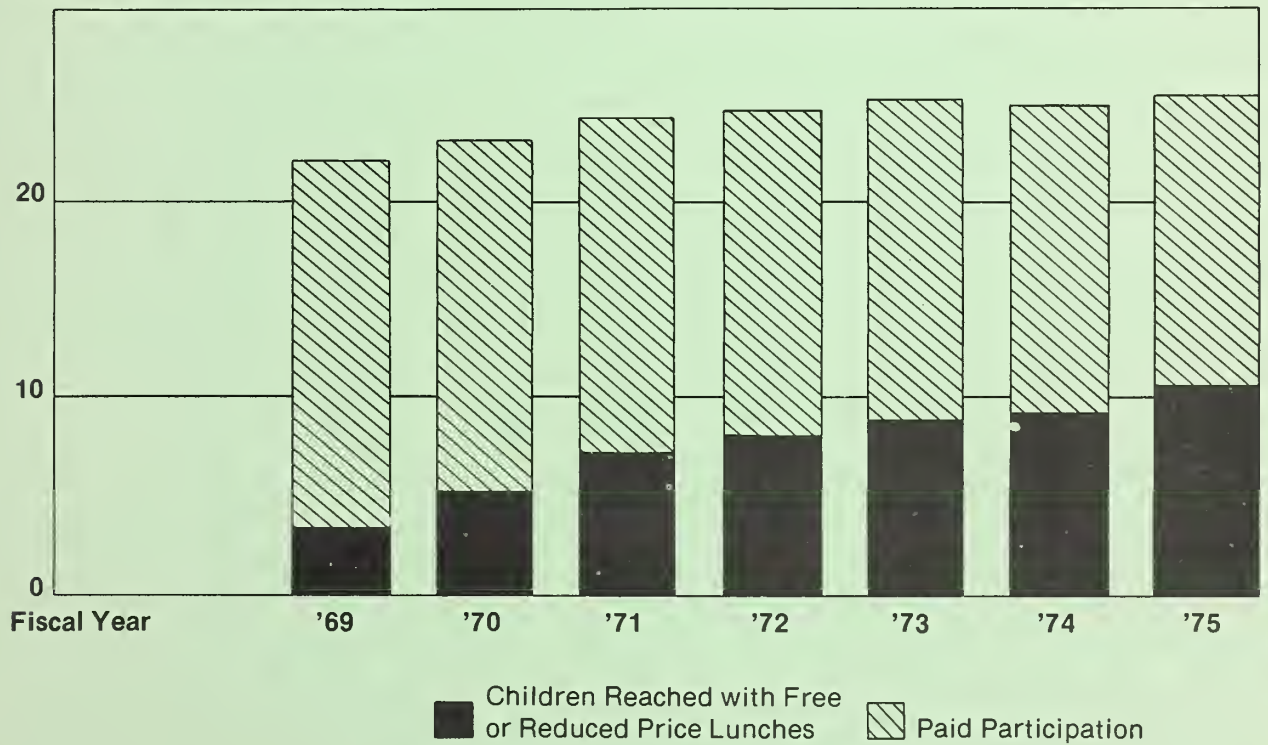
Family Food Program Participation (Average)

Millions of Recipients

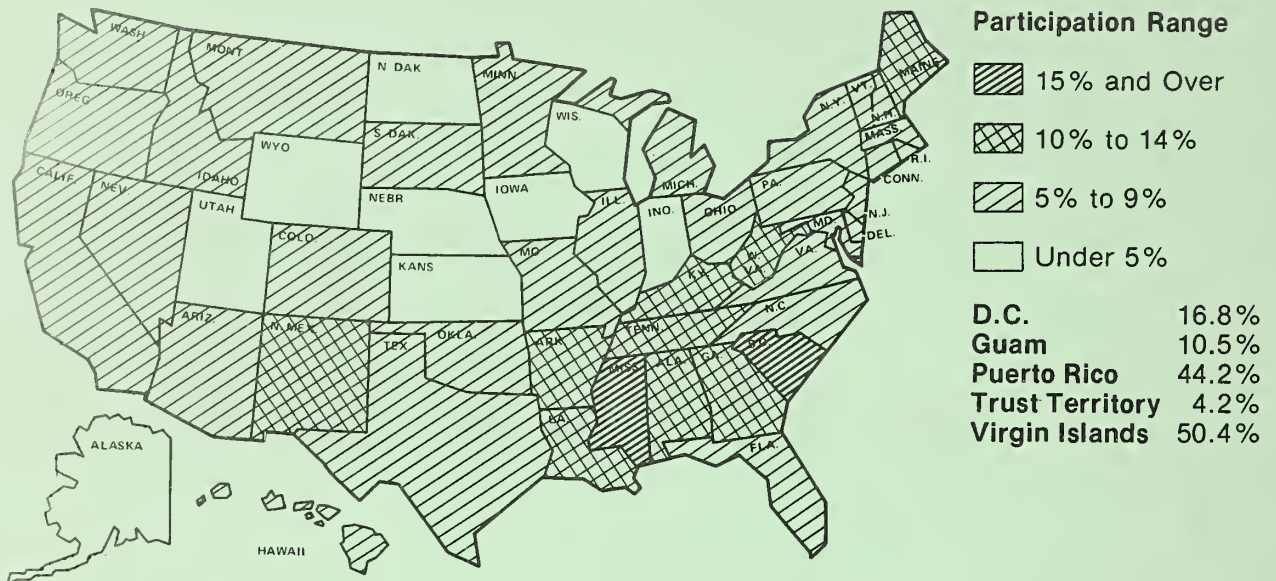


National School Lunch Program Participation (Peak Month)

Millions of Children Reached



Average Participation in Family Food Assistance Programs as a Percentage of Population, FY 1975 (Preliminary)



Institutional Nutrition Support

	<u>Appropriation</u>	<u>Transfer From Section 32 Funds</u>	<u>Total</u>
Appropriation Act, 1976 -----	---	---	---
Budget Estimate, 1977 -----	\$ 1,689,307,000	\$ 1,111,000,000	\$ 2,800,307,000
Increase in Appropriation -----	<u>+1,689,307,000</u>	<u>+1,111,000,000</u>	<u>+2,800,307,000</u>
Adjustments in 1976			
Appropriation Act, 1976 -----	\$ ---		
Transfers in the estimates from: <u>a/</u>			
Child Nutrition Programs -----		1,690,758,000	
Section 32 -----		253,302,000	
CCC (Section 416) -----		<u>180,166,000</u>	
Adjusted base for 1977 -----			2,124,226,000
Budget estimate, 1977 -----			<u>2,800,307,000</u>
Increase over adjusted 1976 -----			<u>+676,081,000</u>

a/ The new appropriation account, Institutional Nutrition Support, will contain six of the programs formerly known as the child nutrition programs and the elderly feeding program as follows:

Child Nutrition:

1. School lunch program
2. Special assistance
3. School breakfast program
4. Summer food program
5. Child care program
6. Commodity procurement

Elderly Feeding

The proposed child nutrition supplemental of \$223,351,000 also included amounts for State administrative expenses (\$1,050,000) and nutritional training and surveys (\$300,000) which are now funded under the Special Nutrition Supplements account and Federal operating expenses (\$2,609,000) now funded under the Food Program Administration account.

SUMMARY OF INCREASES AND DECREASES
(On basis of available funds)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
1. Meal assistance for children (family income above 195% of the poverty guideline) -----	\$ 520,510,000	+\$143,675,000	\$ 664,185,000
2. Reduced price meals for children (family income from 125% above the poverty guideline up to 195%) -----	95,556,000	+ 88,294,000	183,850,000
3. Free meals for children (family income below 125% of the poverty guideline and others) -----	1,497,660,000	+ 432,612,000	1,930,272,000
4. Elderly feeding -----	<u>10,500,000</u>	<u>+ 11,500,000</u>	<u>22,000,000</u>
Total -----	2,124,226,000 <u>1/2/</u>	+ 676,081,000	2,800,307,000

1/ Includes 7-month appropriation act, transition quarter funds and carryover.

2/ Excludes proposed supplemental of \$219,392,000 as follows:

1. School lunch program (Section 4) -----	\$ 95,032,000
2. Special assistance (Section 11) -----	52,860,000
3. School breakfast program -----	31,500,000
4. Summer food program -----	14,000,000
5. Child care program -----	<u>26,000,000</u>
Total -----	219,392,000

PROJECT STATEMENT
(On basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Meal assistance for children (family income above 195% of the poverty guideline) -----	489,978,000	520,510,000 <u>2/</u>	+143,675,000(1)	664,185,000
2. Reduced price meals for children (family income from 125% above the poverty guideline up to 195%) -----	60,367,000	95,556,000 <u>2/</u>	+ 88,294,000(2)	183,850,000
3. Free meals for children (family income below 125% of the poverty guideline and others) -----	1,281,439,000	1,497,660,000 <u>2/</u>	+432,612,000(3)	1,930,272,000
4. Elderly feeding -----	5,413,000	10,500,000	+ 11,500,000(4)	22,000,000
Total -----	1,837,197,000 <u>1/</u>	2,124,226,000 <u>1/</u>	+676,081,000	2,800,307,000

1/ Includes amounts previously funded from other accounts as follows:

	<u>1975</u>	<u>1976</u>
Child Nutrition -----	1,460,084,000	1,690,758,000
Section 32 -----	255,294,000	253,302,000
CCC (Section 416) -----	121,819,000	180,166,000

2/ Excludes proposed supplemental of \$219,392,000.

The following table relates the former child nutrition and elderly feeding appropriations to the new Institutional Nutrition Support structure for FY 1977.

	Meal Assistance: for Children (family income above 195% of the poverty guideline	Reduced Price Meals	Free Meals	Elderly Feeding	Former Activity Structure Total
Section 4 -----	324,246,000	29,540,000	234,214,000	---	588,000,000
Free/reduced price lunches--	---	111,640,000	1,056,360,000	---	1,168,000,000
Breakfast -----	7,503,000	10,862,000	165,635,000	---	184,000,000
Summer -----	---	---	132,000,000	---	132,000,000
Child care -----	5,057,000	4,547,000	110,396,000	---	120,000,000
Commodities -----	327,379,000	27,261,000	231,667,000	---	586,307,000
Elderly feeding -----	---	---	---	22,000,000	22,000,000
Current activity structure:					
-- total -----	664,185,000	183,850,000	1,930,272,000	22,000,000	2,800,307,000

EXPLANATION OF PROGRAM

The budget designation of institutional nutrition support programs contains six of the programs formerly known as the child nutrition programs (school lunch (Section 4); special assistance (Section 11); school breakfast; summer food; child care and commodity procurement) and the elderly feeding program.

1. Institutional nutrition support. - The new designation of institutional nutrition support maintains the identity of the original child nutrition programs and the elderly feeding program; however, it regroups these programs by the types of meal support and income group assisted. The new activities under the heading institutional nutrition support are:

(a) Meal assistance for children (families above 195% of poverty guideline) - which includes cash assistance for paid meals from the regular school lunch program, (section 4); the school breakfast program; the child care food program; and commodity assistance for these paid meals.

(b) Reduced price meals - (family income above 125% of the poverty guideline up to 195%) - which includes cash assistance for the reduced price meals from the regular school lunch program (section 4); the special cash assistance program (section 11 school lunch); the school breakfast program; the child care food program; and commodity assistance for these reduced price meals.

(c) Free meals (family income below 125% of the poverty guideline and others)-- which includes cash assistance for the free meals from the regular school lunch program (section 4); the special cash assistance program (section 11 school lunch); the school breakfast program; the child care food program; the summer food service program for children; and commodity assistance for these free meals.

(d) Elderly feeding - which consists of commodity support for meals served under the Older Americans Act of 1965, as amended.

JUSTIFICATION OF INCREASES

The increases reflect current estimates of participation on projected reimbursement rates.

- (1) An increase of \$143,675,000 for meal assistance for non-needy children (\$520,510,000 available in FY 1976).

Need for Increase: The meal assistance for non-needy children includes paid meals from the regular school lunch program (section 4); the school breakfast program; the child care food program; and commodity assistance. The funds requested will cover the following increases:

- (a) \$81,879,000 for section 4 regular school lunch.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served (thousands) -----	15,100	-500	14,600
Number of lunches (millions) -----	2,392.6	-22.4	2,370.2
Average rate per meal (cents) ----	12.4	+1.28	13.68
Federal funds -----	\$242,367,000 <u>1/</u>	+\$81,879,000	\$324,246,000

1/ Excludes FY 1976 proposed supplemental of \$54,073,000, which would bring the total proposed funding for FY 1976 to \$296,440,000.

- (b) \$3,505,000 for the school breakfast program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served (thousands) -----	372	+82	454
Number of breakfasts (millions) --	55.4	+12.7	68.1
Average rate per meal (cents) ----	9.9	+ 1.2	11.1
Federal Funds -----	\$3,998,000 <u>1/</u>	+\$3,505,000	\$7,503,000

1/ Excludes FY 1976 proposed supplemental of \$1,480,000, which would bring the total proposed funding for FY 1976 to \$5,478,000.

- (c) \$1,328,000 for the child care food program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served (thousands) -----	98	+12	110
Number of meals (millions) -----	56.9	--	56.9
Average rate per meal (cents)-----	8.5	+0.3	8.8
Federal funds -----	\$3,729,000 <u>1/</u>	+\$1,328,000	\$5,057,000

1/ Excludes FY 1976 proposed supplemental of \$1,101,000, which would bring the total proposed funding for FY 1976 to \$4,830,000.

(d) \$56,963,000 for commodity assistance under authority of sections 6(a) and 14(a) of the National School Lunch Act, as amended; section 32 of the Act of August 24, 1935, as amended, and section 416 of the Agricultural Act of 1949. (\$270,416,000 available in FY 1976). Commodity assistance for meals served to non-needy children will be supplied at traditional levels of assistance for some types of meals and at per meal rates for others, as specified by law. The commodity assistance level for lunches in FY 1977 will be 11.8 cents per meal.

- (2) An increase of \$88,294,000 for reduced price meals (\$95,556,000 available in FY 1976).

Need for Increase: The reduced price meals designation includes the reduced price meals from the regular school lunch program (section 4); the special cash assistance program (section 11 school lunch); the school breakfast program; the child care food program; and commodity assistance. The funds requested will cover the following increases:

- (a) \$15,716,000 for section 4 regular school lunch.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served			
(thousands) -----	859	+504	1,363
Number of meals (millions) -----	136.1	+79.8	215.9
Average rate per meal (cents) -----	12.4	+1.28	13.68
Federal funds -----	\$13,824,000 <u>1/</u>	+\$15,716,000	\$29,540,000

1/ Excludes FY 1976 proposed supplemental of \$3,041,000, which would bring the total proposed funding for FY 1976 to \$16,865,000.

- (b) \$52,631,000 for the special cash assistance program -- section 11 school lunch.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served			
(thousands) -----	859	+504	1,363
Number of meals (millions) -----	136.1	+79.8	215.9
Average rate per meal (cents) -----	45.76	+5.94	51.7
Federal funds -----	\$59,009,000 <u>1/</u>	+\$52,631,000	\$111,640,000

1/ Excludes FY 1976 proposed supplemental of \$3,277,000, which would bring the total proposed funding for FY 1976 to \$62,286,000.

- (c) \$7,541,000 for the school breakfast program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served			
(thousands) -----	106	+123	229
Number of meals (millions) -----	15.9	+18.4	34.3
Average rate per meal (cents) -----	28.62	+3.05	31.67
Federal funds -----	\$3,322,000 <u>1/</u>	+\$7,541,000	\$10,863,000

1/ Excludes FY 1976 proposed supplemental of \$1,229,000, which would bring the total proposed funding level for FY 1976 to \$4,551,000.

- (d) \$1,251,000 for the child care program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served			
(thousands) -----	28	---	28
Number of meals (millions) -----	14.2	---	14.2
Average rate per meal (cents) -----	30.0	+2.0	32.0
Federal funds -----	\$3,296,000 <u>1/</u>	+\$1,251,000	\$4,547,000

1/ Excludes FY 1976 proposed supplemental of \$974,000, which would bring the total funding level for FY 1976 to \$4,270,000.

(e) \$11,155,000 for commodity assistance under authority of sections 6(a) and 14(a) of the National School Lunch Act, as amended; section 32 of the Act of August 24, 1935, as amended, and section 416 of the Agricultural Act of 1949. (\$16,105,000 available in FY 1976). This commodity assistance for meals served at reduced prices will be supplied at traditional levels of assistance for some types of meals and at per meal rates for others, as specified by law. The commodity assistance level for lunches in FY 1977 will be 11.8 cents per meal.

- (3) An increase of \$432,612,000 for free meals for children (below the poverty guideline and others (\$1,497,660,000 available in 1976)).

Need for Increase: Free meals for children designation includes free meals from the regular school lunch program (section 4); the special cash assistance program (section 11); the school breakfast program; the child care food program; the summer food program for children; and commodity assistance for these free meals.

The funds requested will cover the following increases:

- (a) \$64,137,000 for free lunches in the regular school lunch (section 4).

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1974</u>
Number of children served			
(thousands) -----	10,598	+220	10,818
Number of lunches (millions) -----	1,678.8	+33.3	1,712.1
Average rate per meal (cents) ----	12.41	+1.27	13.68
Federal funds -----	\$170,077,000 <u>1/</u>	+\$64,137,000	\$234,214,000

1/ Excludes FY 1976 proposed supplemental of \$37,918,000, which would bring the total proposed funding level for FY 1976 to \$207,995,000.

- (b) \$169,880,000 for free meals in the special cash assistance program (section 11)

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children served			
(thousands) -----	10,598	+220	10,818
Number of lunches (millions) -----	1,678.8	+33.3	1,712.1
Average rate per lunch (cents) ---	55.75	+5.95	61.70
Federal funds -----	\$886,480,000 <u>1/</u>	+\$169,880,000	\$1,056,360,000

1/ Excludes FY 1976 proposed supplemental of \$49,583,000, which would bring the total proposed funding level for FY 1976 to \$936,063,000.

- (c) \$77,310,000 for free breakfasts in the school breakfast program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children reached			
(thousands) -----	1,494	+650	2,144
Number of breakfasts (millions) --	236.4	+103.0	339.4
Average rate per breakfast -----	34.69	+3.78	38.47
Federal funds -----	\$53,234,000 <u>1/</u>	+\$77,310,000	\$130,544,000

1/ Excludes FY 1976 proposed supplemental of \$28,791,000, which would bring the total proposed funding level for FY 1976 to \$82,025,000.

(d) \$10,643,000 for free breakfasts to be served to children in especially needy schools.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children reached (thousands) -----	445	+194	639
Number of breakfasts (millions) ---	54.3	+23.6	77.9
Average rate per meal (cents) -----	45.00	--	45.00
Federal funds -----	\$24,438,000	+\$10,643,000	+35,081,000

(e) \$29,421,000 for free meals in the child care program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children reached (thousands) -----	352	---	352
Number of meals (millions) -----	284.4	---	284.4
Average rate per meal (cents) --	36.88	+1.93	38.81
Federal funds -----	\$80,975,000 <u>1/</u>	+\$29,421,000	\$110,396,000

1/ Excludes FY 1976 proposed supplemental of \$23,925,000, which would bring the total proposed funding level for FY 1976 to \$104,900,000.

(f) \$58,000,000 for free meals in the summer feeding program.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of children reached (thousands) -----	2,977	+943	3,920
Number of meals (millions) -----	125.0	+39.6	164.6
Average rate per meal (cents) ----	70.40	+9.79	80.19
Federal funds -----	\$74,000,000 <u>1/</u>	+\$58,000,000	\$132,000,000

1/ Excludes FY 1976 proposed supplemental of \$14,000,000, which would bring the total proposed funding level for FY 1976 to \$98,000,000.

(g) \$23,221,000 for commodity assistance under authority of sections 6(a) of the National School Lunch Act, as amended; section 32 of the Act of August 24, 1935, as amended; and section 416 of the Agricultural Act of 1949. (\$208,456,000 available in FY 1976). This commodity assistance for free meals will be supplied at the traditional levels of assistance for some types of meals and at per meal rates for others, as specified by law. The commodity assistance level for lunches in 1977 will be 11.8 cents per meal.

(4) An increase of \$11,500,000 for elderly feeding.

Need for Increase: The elderly feeding program consists of commodity support from sections 32, 416 and 14. The support rate for each meal will increase due to Public Law 94-135, enacted December 28, 1975.

	<u>FY 1976</u>	<u>Change</u>	<u>FY 1977</u>
Number of meals (millions) -----	70	+18	88
Average rate per meal (cents) -----	15	+10	25
Federal funds -----	\$10,500,000	+\$11,500,000	\$22,000,000

STATUS OF PROGRAM

Child Nutrition Programs

The National School Lunch Act of 1946 and the Child Nutrition Act of 1966 established the child nutrition programs. Other legislation enacted in recent years has expanded the programs and made them more complex.

Public Law 91-248, enacted in May 1970, greatly increased emphasis on providing program benefits to needy children. The law authorized national minimum eligibility standards for free and reduced price meals and placed certain related requirements on schools, for example, sending applications to all parents and establishing fair hearing procedures. It also authorized funds for nutritional training and studies and surveys, and required that State revenue be used to meet part of the National School Lunch Program's provision on State and local matching requirements.

The law further required State agencies to submit annual plans of operations showing, among other things, how they plan to extend lunch programs to every school within the State.

Public Law 92-153, enacted in November 1971, increased Federal support for the National School Lunch Program and guaranteed certain rates of Federal payments. These guaranteed rates were an average of six cents for all lunches served and an additional minimum payment based on 40 cents for free and reduced price lunches served to eligible children.

Public Law 92-433, enacted in September 1972, placed Section 4 general cash assistance on a "performance funding" basis by eliminating the statutory apportionment formula for Section 4 and by authorizing the allocation of Section 4 funds among States solely on their performance in serving lunches, with an eight cent Statewide average payment guaranteed for each lunch served. The law extended the "performance funding" concept to the school breakfast program starting in fiscal year 1974, and made the program available to all schools that request it. The law placed maximum limits on eligibility levels for free and reduced price meals of up to 125 percent of the national minimum standards for free meals and up to 150 percent for reduced price meals. To assist in efforts to extend programs to schools without food service, the law reserved 50 percent of appropriated nonfood (equipment) assistance funds for exclusive use in schools without food service.

Public Law 93-150, enacted in November 1973, extended the performance funding concept to Section 11 special cash assistance funds. It increased Section 4 Federal payments and also increased average Federal payments under the school breakfast program. It provided for the average rates of Federal payments under the lunch and breakfast program to be adjusted semiannually to reflect changes in the Consumer Price Index for food away from home. It authorized cash payments to make up shortages in distribution of donated foods for the child nutrition programs, and it directed the Secretary to conduct a comprehensive study of the programs. A report of the study was sent to the Congress in early fiscal year 1975. Public Law 93-150 also authorized income limits up to 175 percent of income poverty guidelines for reduced price lunch eligibility for about 7-1/2 months.

Public Law 93-326, enacted in June 1974, set as a minimum level of commodity assistance for national school lunch program school foods with a national average value of ten cents per lunch, or cash payments in lieu thereof. The law provided for this amount to be adjusted on an annual basis to reflect changes in the Consumer Price Index for food away from home. In addition, this law permanently raised the income guidelines for reduced price lunches to 175 percent of the Secretary's guidelines.

Public Law 94-105 modified the programs administered under the National School Lunch Act and Child Nutrition Act of 1966 in the following manner:

National School Lunch Program - Removes the State matching requirement for Section 4 funds paid for those meals served free or at a reduced price.

Provides that students in participating senior high schools shall not be required to accept offered foods that they do not intend to consume. This provision will not affect the amount of reimbursement to schools. The unit price of the lunch will be the same regardless of whether the student chooses a complete type A lunch of less than the complete components.

Mandates the service of reduced price meals to children in families with an annual income falling between income guidelines for free lunches prescribed by the State and 95 percent above the Secretary's income poverty guidelines. All participating schools must now offer reduced price meals.

Requires publication of revised income guidelines by June 1 of each fiscal year for use during the subsequent twelve month period (July through June) based upon the Consumer Price Index for the twelve month period ending in April of each fiscal year. Revision for use from July 1976 through June 1977 shall be determined by multiplying the current income poverty guidelines by the change between the average 1974 Consumer Price Index and the Consumer Price Index for April 1976.

Establishes eligibility for free and reduced price meals for children coming from a family in which the parents or guardians responsible for the principle support of the child are unemployed and whose income falls within eligibility standards.

Defines "school" to include any public or licensed nonprofit private residential child care institution (including but not limited to orphanages, and homes for the mentally retarded).

School Breakfast Program - Makes the authorization for the school breakfast program permanent. Requires USDA, in cooperation with State educational agencies, to develop and submit to Congress, school breakfast program plans of information detailing efforts to make the program available to all schools.

Special Food Service Program - Under P.L. 94-105, the special food service program has been divided into two distinct programs, a Summer Food Program for children which remains as Section 13 of the National School Lunch Act and a child care Food program which is added as a new Section 17 of the National School Lunch Act.

Summer Food Service Program - Authorizes the summer program, which provides meals to children in needy areas during extended vacation periods. The program operates between May and September or, for schools with a continuous school year calendar, during any vacation of more than two weeks.

A public or nonprofit private nonresidential institution or summer camp is eligible to sponsor the program in areas where at least one-third of the children are eligible for free or reduced price school meals. Meals meeting FNS nutritional requirements are served at feeding sites conducting organized activities or a regular food service. Up to four meals are served to all attending children (five in summer camps).

The State agency approves sponsor applications and executes operating agreements. The sponsor must evidence its ability to monitor and manage its sites and uphold sanitary and nutritional standards. If meals are provided by a food service management company, the sponsor is responsible for the vendor's performance.

To expedite reimbursement, States and ultimately participating sponsors will receive advance funds based on past performance or estimated costs. An additional two percent of program funds will be transmitted to the State agency for its administrative expenses. The State agency may approve start-up funds for sponsors to enable more effective program planning. Sponsors will be reimbursed for their full operating costs not to exceed maximum reimbursement rates of 81.5 cents for lunch or supper, 45 cents for breakfast, and 21.25 cents for supplements. Rates will be adjusted annually for cost changes.

FNS is required to publish proposed regulations by January 1, and final regulations, handbooks and guideline material by March 1.

Section 17 of the National School Lunch Act authorizes the child care food program which supports food service operations for children in day care centers, family day care programs, Headstart Centers, recreation centers, and other institutions where children are not maintained in a permanent residence. The program will be geared to a young age group where sound nutrition is most essential. All nonprofit child care centers are now eligible to participate in the program. A center must be a tax-exempt organization licensed for child care or meet Federal Interagency Day Care Requirements. The center must develop a free and reduced price meal policy consistent with the State's income standards. A public release will be issued to the local news media announcing the center's commitment to this meal policy as well as a nondiscrimination policy.

The State agency will review applications and execute operating agreements with child care institutions. Participating institutions may serve breakfasts, lunches, suppers, and morning and afternoon snacks which meet nutritional standards. The State agency will monitor food service operations and provide managerial and technical assistance.

New legislation replaces the apportionment of Federal monies to the States with a performance funding concept which ties State funding to the scope of feeding programs and the need of children served. Funding will be determined by the number of meals served by type (breakfast, lunch, supper, or snacks) and family size-income category multiplied by the national average payment factors used in the school lunch and school breakfast programs. State funding will rise as the volume of meals served rises and as the number of needy children served increases. Commodities will be provided on a similar performance basis for the number of lunches and suppers served with the State having the prerogative to elect to receive cash in lieu of commodities, as provided in appropriation acts.

Recordkeeping requirements for reimbursement will be simplified in recognition of the many small child care centers in the program. Using family size and income data on attending children collected by service institutions, the State agency will assign a claiming percentage for each meal (reflecting the distribution of free, reduced price, and paid meals). The claiming percentage may be used to assign a single blended rate for each meal. This allows assistance to be based on need without the daily collection of detailed financial or meal data. Reimbursement may be claimed for total operating costs or food costs only (not to exceed maximum reimbursement rates assigned by the State agency). The State agency may assign different rates to different institutions to reflect variations in need.

Current activities and trends:

1. Furnishing cash assistance to States:

A. National School Lunch Program:

Except in those instances where State law prohibits it, child nutrition programs are jointly administered by USDA and State education agencies. Cash assistance rates for these programs within the States are based on the need of individual schools. Initially, the average Federal rate under Section 4 was ten cents for all lunches served, and 45 cents and 35 cents for free and reduced price meals, respectively. The latest listings of national average payment factors for July 1 - December 31, 1975, have risen to 12.25 cents for general payments and 54.50 cents and 44.50 cents for free and reduced price meals, respectively. Income eligibility criteria for receipt of free and reduced price lunches is established by the States. These income standards shall not be less than the income poverty guidelines established by the Department nor may they exceed 125 percent of these guidelines for free lunches. The eligibility standard for reduced price meals is set at 195 percent of the Department guidelines in all States.

During fiscal year 1975, a total of 4,077 million lunches were served, 1,626 million free or at a reduced price. This was an increase of 3.6 percent in total meals from the previous fiscal year. The increase in free and reduced price meals was 10.8 percent. Free and reduced price lunches represent 39.9 percent of total lunches.

The number of children reached by the program is now 25.4 million, with 10.4 million being served free and reduced price lunches.

B. School Breakfast Program:

The Child Nutrition Act of 1966 authorized a two-year pilot program to assist schools in serving breakfasts to needy children. Subsequent legislation made the program permanent and put program funding on a performance basis.

Adjustments in school breakfast reimbursement rates affecting semiannual adjustments of the Consumer Price Index for food away from home rates of 9.75 cents for paid breakfasts, 28 cents for reduced price breakfasts, and 34 cents for free breakfasts in the first half of fiscal year 1976. Additional Federal assistance to pay up to 100 percent of operating costs for free breakfasts, not to exceed 45 cents, is provided in especially needy schools.

During fiscal year 1975, the number of schools participating in the program in the peak month was 14,000 and the number of participating children increased to approximately two million in the peak month. A total of 294 million breakfasts were served. This was an increase of 29 percent over fiscal year 1974. The program continued primarily to benefit needy children with more than 80 percent of the breakfasts served at free or reduced prices.

An evaluation of the school breakfast program has been established as an agency objective for fiscal year 1976. This will include analysis of characteristics of schools which participate in the program as opposed to those which do not, and an analysis of the effect of present program operations on participation.

C. Nonfood Assistance:

The Nonfood Assistance Program is administered by FNS and provides Federal cash and technical assistance to help needy schools acquire food

service equipment. The program is administered through regional offices and State Departments of Education. Prior to the passage of P.L. 94-105, State and local sources were required to bear 25 percent of the cost of equipment purchases. This requirement could be waived for equipment purchased for especially needy schools without food service. The law now permits the waiver of the matching requirement for all schools designated as especially needy by the State.

P.L. 94-105 revised the percentage of the total nonfood assistance budget reserved for schools without food service from 50 percent to 33-1/3 percent.

In fiscal year 1975, a total of 7,777 schools with a total attendance of 3.5 million students received equipment assistance of about \$28 million. Assistance was provided to all 50 States, the District of Columbia, Guam, Puerto Rico, and American Samoa.

Food and Nutrition Service personnel are continuing their work with State and local food service personnel, as well as representatives from private industry, in the development of more suitable food preparation and/or delivery systems for use by schools in this program.

D. State Administrative Expenses:

The Child Nutrition Act of 1966 authorized the use of Federal funds by State educational agencies to defray administrative expenses. These funds are used to provide supervision and technical assistance to local school districts and service institutions for administration of additional activities undertaken by them to extend child nutrition benefits to needy children. Federal funds for State administrative expenses remained basically at the same level from fiscal year 1971 through 1974. Funds to cover SAE were increased by about 81 percent in fiscal year 1975 to a total of \$6.7 million.

E. Nonschool Feeding (Special Food Service Program):

The National School Lunch Act was amended in 1968 to provide for a three-year pilot program to provide assistance for meal service to nonresidential child care institutions in areas of low income and areas with a substantial percentage of working mothers. The program included both year round child care centers primarily for preschool children, and a special summer feeding program for school age children enrolled in programs operated in parks, playgrounds and recreation centers. This program was given added impetus when Headstart centers were approved to participate in fiscal year 1974.

During fiscal year 1975, the number of children served by the year-round program increased to about 440 thousand. These children received a total of 224 million meals. About 1.8 million children participated in the summer program during fiscal year 1975 receiving approximately 87 million meals.

P.L. 94-105 divided the special food service program into two distinct programs. Section 13 of the National School Lunch Act now pertains to summer food service operations for children during extended vacation periods. Service institutions eligible to participate in this program are limited to those serving children from poor economic areas.

P.L. 94-105 added a new section 17 to the National School Lunch Act authorizing a Child Care Food Program. This program now operates in day care centers, Headstart and Home Start Centers and centers for

handicapped children. Sponsoring agencies must either be licensed according to Federal, State or local standards or be in compliance with the Federal Day Care Requirements of 1968. Private, nonprofit agencies are eligible for assistance if they are tax exempt or moving toward tax-exempt status.

F. Commodity Procurement:

Food is furnished to schools and institutions by distribution through State agencies. Commodities are distributed under various authorities including Sections 6 and 14 of the National School Lunch Act, Section 32 of the Act of August 24, 1935, as amended, Section 416 of the Agricultural Act of 1949, as amended, and Section 709, Food and Agricultural Act of 1965. Public Law 91-248 provided that these commodities may also be used to supplement the school breakfast and nonschool food programs.

Public Law 93-326, enacted in June 1974, set a ten cent minimum value of donated foods for each lunch served in the National School Lunch Program. This amount is now adjusted in line with the Consumer Price Index for food away from home. The cost was set at 11 cents for fiscal year 1976.

In November 1973, P.L. 93-150 was enacted allowing the Department to cover shortages in commodity donations with cash payments, and, during fiscal year 1975, \$5 million was made available to schools in the form of cash payments along with \$411 million of commodity assistance.

Public Law 94-105 broadens the minimum value of donated foods to cover lunches and suppers served in the child care food program. Child care institutions may receive cash in lieu of commodities if provided for in the appropriation act.

G. Nutritional Training and Surveys:

Public Law 91-248 provides that up to one percent of the total funds appropriated for the child nutrition programs may be used for nutritional training and for surveys of food service requirements. In recent years emphasis has been placed on projects to provide additional training in nutrition education for school food service workers and to evaluate the effectiveness of nutrition education efforts aimed at school children, specialists at the State level, and school food service workers.

H. Special Developmental Projects:

Section 8 of P.L. 91-248 provides for a reserve of up to one percent of the funds available for apportionment to any State to carry out special developmental projects. In fiscal year 1975, projects were funded in Maryland, New Mexico, and New Hampshire, and in fiscal year 1976 in Colorado, Georgia, Illinois, Kentucky, and Connecticut.

I. Administrative and Technical Assistance:

Assistance is provided to State agencies, schools and institutions to help in:

- a. Management of funds;
- b. Purchase and storage of foods;
- c. Maximizing local purchases of plentiful foods;
- d. Proper use of equipment;
- e. Preparation and service of meals;

- f. Maintenance of records and preparation of reports;
- g. Development of recipes, particularly those using donated and plentiful foods;
- h. Increasing participation in program;
- i. Improving program operations;
- j. Organizing in-service workshop training meetings;
- k. Extension of program to especially needy schools both in core areas of metropolitan centers and in isolated rural areas.

Training and instruction of school food service personnel has received continuing emphasis. Emphasis has been placed on in-service training for local personnel. This training is provided directly to private schools and institutions which have programs administered by the Department. It is also provided in cooperation with State agencies which administer school lunch programs. Training materials such as flip-charts, slides, films, scripts, and sound tapes have been classified and catalogued and made available for use or loan to private school workshops and State agencies.

J. Major Projects

One major project was continued dealing with program participation and a new management effort was initiated to aid school feeding operations in large cities.

FNS and State agencies are continuing the nationwide drive launched in August 1972 to extend the child nutrition programs to schools without food service. As a result of these efforts, the total number of schools operating the National School Lunch Program rose from approximately 87,300 to about 87,700 during fiscal year 1975.

The Management and Technical Assistance Effort (MTA) was initiated by FNS as a method to assist the 300 largest school districts to administer their programs more efficiently. This program was given added emphasis in fiscal year 1976 due to inclusion of funds for this program in the President's budget message for fiscal year 1976.

Under this procedure, Washington, Regional Office and State personnel visit a predetermined number of school districts to identify problems and effectuate changes that will ultimately improve management of the school feeding programs.

In fiscal year 1975, 34 school districts were visited as part of the MTA effort and, during fiscal year 1976, plans call for visits to 86 additional school districts. The remainder of the school districts will be visited during fiscal year 1977.

While it is too early to discern the long-term benefits of MTA, improvements in management and technical skills are appearing in three main areas. First, there are marked improvements in the implementation of the free and reduced price meal policy by school officials and increased attention paid to the prevention of overt identification of recipients of school meals.

Second, much of the management guidance received by the school districts from all Federal sources through the States is being defined in more specific terms, especially in the area of Federal monetary assistance. Clarification of the guidelines concerning the impact of State and local funding on the levels of Federal financial assistance will allow the distribution of funds on a more equitable basis.

Third, MTA visits have already uncovered a number of districts in which the school meals served do not meet the minimum nutritional requirements.

If all the recommendations made during the fiscal year 1975 MTA's were fully implemented in the schools that were visited during that period, the estimated program savings would be \$4 million. Projection of this figure for all schools in the 34 districts visited in that fiscal year increased the figure to approximately \$39 million.

FNS also has the responsibility for the child nutrition activities related to the Bicentennial Project. Activities are currently scheduled both by FNS and the American School Food Service Association. Plans for National School Lunch Week have been completed and activities commemorating the anniversaries of the Nation and the National School Lunch Program are scheduled throughout the year.

K. Selected Statistical Material and Analyses:

The following tables present analyses of the growth and scope of the child nutrition programs.

Tables 1 and 1a - Source of funds including special milk, matching requirements and participation in the programs in first year of operation and the latest four years and analyses

Table 2 - Apportionment of funds by States, nonfood assistance program - 1976

Table 3 - Comparison of Federal and State financing, 1975, by State

Table 4 - Children and schools participating, 1975, by State

Table 5 - Commodities distributed in 1974 and 1975 by quantity and costs

Child Nutrition Programs
Source of Funds Including Special Milk, Matching Requirements and Participation in the Programs
Fiscal Year 1947 (first year) and Fiscal Years 1973-1976
(dollars in thousands)

Item	1947	1973	1974	1975	1976 (est.)
1. Method of Financing Programs					
Contributions from Federal Sources					
a. Financing 1/					
1. Cash payments to States:					
a. School Lunch	\$59,853	\$324,102	\$407,923	\$466,856	\$521,300
b. Special Assistance	--	555,307	681,540	818,373	980,533
c. School Breakfast	--	37,002	58,521	83,000	116,500
d. Nonfood Assistance	--	16,032	25,079	28,044	20,650
e. State Administrative Expenses	--	3,413	2,803	6,000	7,700
f. Nonschool Food Program	--	54,098	66,372	100,847	148,000
2. Nutritional Training and Surveys	--	734	509	877	1,000
Total	59,853	990,688	1,242,747	1,503,997	1,795,683
b. Donated Commodities 2/					
1. Section 6	5,735	63,553	67,284	63,724	80,000
2. Section 32	2,313	55,462	117,729	243,475	185,900
3. CCC (Section 416)	--	125,372	134,204	123,750	176,566
Total	8,048	244,387 a/	319,218 b/	430,949 c/	442,466 d/
c. Special Milk Program	--	94,519	56,599	124,068	143,111 e/
Total, Federal Contributions	67,901	1,329,594	1,618,564	2,059,014	2,381,260
Contributions from State Sources					
a. Direct appropriation					
State and local	20,616	297,573	417,925	480,000	510,000
b. Other local contributions	17,532	395,099	392,411	400,000	470,000
c. Payments by children	112,540	1,123,656	1,174,158	1,220,000	1,240,000
Total, State Contributions	150,688	1,816,328	1,984,494	2,100,000	2,210,000
Total Contributions, Federal and State	218,589	3,145,922	3,603,058	4,159,014	4,601,260
2. Matching 3/					
Federal apportionment of cash to States	62,338	225,747	--	--	--
Required by States under School Lunch Act	55,878	873,090	1,100,000	1,264,000	800,000 f/
Contributed by States	150,688	1,804,654	1,984,494	2,100,000	2,090,000
3. School Enrollment (thousands)	26,000	51,400	51,355	50,962	50,498

a/ In addition, \$70,797 thousand cash in lieu of commodities.

b/ Includes \$45,000,000 beef purchases in 1974 for distribution in 1975.

c/ In addition, \$5,100 thousand cash in lieu of commodities.

d/ In addition, \$52,502 thousand cash in lieu of commodities.

e/ Includes proposed rescission of \$40,000 thousand.

f/ Beginning in fiscal 1976, State matching is based on paid lunches only.

TABLE I - cont'd

Item	1947	1973	1974	1975	1976 (est.)
4. Participation in Programs					
a. Total, School Lunch					
Lunches served (millions) -----	910.9	4,008.8	3,934.4	4,087.0	4,204.0
Children (millions - daily average) -----	5.1	24.5	23.7	24.6	25.3
Average Federal meal reimbursement -----	6.6¢	21.9¢	27.7¢	31.4¢	35.7¢
Number of schools (peak) 4/ -----	44,537	86,390	85,173	87,700	89,000
(1) School Lunch - Section 4					
Lunches served (millions) -----	910.9	4,008.8	3,934.4	4,087.0	4,204.0
Average Federal reimbursement -----	--	8.0¢	10.4¢	11.4¢	12.4¢
(2) Free and Reduced Price Lunches					
Lunches served (millions) -----	--	1,402.4	1,468.3	1,626.0	1,735.0
Children (millions - daily average) -----	--	8.4	8.8	9.8	10.1
Average Federal reimbursement -----	--	40.0¢	46.4¢	50.3¢	56.5¢
b. School Breakfast					
Breakfast served (millions) -----	--	194.1	227.0	292.0	340.0
Children (thousands - daily average) -----	--	1,165.4	1,356.8	1,825.4	2,100.0
Average Federal reimbursement -----	--	19.4¢	25.8¢	28.4¢	34.3¢
c. Nonfood Assistance					
Schools equipped -----	--	6,442	8,489	6,589	9,193
Average contribution per school -----	--	\$2,488	\$2,954	\$4,256	\$2,246
d. Nonschool Food Program					
Meals served (millions) -----	--	182.9	227.0	310.8	390.0
Year-round -----	--	117.5	163.4	223.7	265.0
Summer -----	--	65.4	63.6	87.1	125.0
Children served (thousands) -----	--	1,370.0	1,834.0	2,240.4	2,886.0
Year-round -----	--	195.0	246.0	440.4	336.0
Summer -----	--	1,175.0	1,588.0	1,800.0	2,550.0
e. Special Milk Program					
Half-pints milk (millions) -----	--	2,561	1,426	2,125	2,236
Number of children receiving milk (millions) -----	--	14.5	8.3	11.8	12.4
Total outlets -----	--	98,755	90,759	84,541	86,000
Schools -----	--	92,016	84,959	80,906	82,300
Child-care -----	--	6,739	5,800	3,635	3,700
5. Foods bought in local markets with Federal Cash Payments and State Contributions					
	\$128,648,278	\$1,408,364,967	\$1,638,706,996	\$1,800,000,000	\$2,040,000,000
6. Total Appropriation 5/ -----	\$ 81,000,000	\$1,231,984,000	\$1,425,362,000	\$1,739,223,000	\$2,083,885,000

1/ Includes funds from Child Nutrition, special section 32 and section 32 transfer.

2/ Represents commodity purchases in year indicated.

3/ State matching requirements per Federal dollar are as follows: 1947-50, \$1 to \$1; 1951-55, \$1.50 to \$1.00; thereafter, \$3.00 to \$1.00 EXCEPT that for States with per capita income below the national average the ratio required is decreased by the percentage which the State per capita income is below the per capita income of the United States. Lowest matching requirement in the States for 1947-50 was \$.46 to \$1.00; 1951-55, \$.73 to \$1.50; 1956-60, \$1.41 to \$3.00; 1961-70, \$1.54 to \$3.00; 1971, \$1.79 to \$3.00; 1972, \$1.96 to \$3.00; 1973, \$2.01 to \$3.00; 1974, \$2.05 to \$3.00; 1975, \$2.10 to \$3.00.

4/ Represents total schools participating in school lunch, special assistance.

5/ Includes funds appropriated under child nutrition, special milk, section 32 transfer and special section 32. Does not include carryover funds.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service

TABLE Ia

Child Nutrition Programs
Analyses of Sources of Funds, Matching Requirements and Participation in the Programs
Fiscal Year 1947 (First Year) and Fiscal Years 1973-1976

	1947	1973	1974	1975	1976 (est.)
1. Total cost per lunch (Includes all lunches except Type C) -----	30.4¢	75.1¢	86.2¢	93.5¢	99.5¢
a. Federal contributions (excluding special milk) ---	9.3	29.8	35.8	42.1	46.7
b. State and local contributions -----	5.6	17.3	20.6	21.5	23.3
c. Children's payments -----	15.5	28.0	29.8	29.9	29.5
2. Average rate of reimbursement from Federal cash payments per Type A lunch:					
Section 4 -----	8.7¢	8.1¢	10.4¢	11.4¢	12.4¢
Section 11 -----	--	39.6¢	46.4¢	50.3¢	56.5¢
Donated commodities a/ -----	8.8¢	7.9¢	8.1¢	10.7¢	11.0¢
3. Annual contribution per child (Excludes children participating in Type C Programs):	\$45.97	\$122.88	\$143.17	\$155.32	\$168.06
a. Federal (Excluding special milk:					
Cash payments -----	\$12.27	\$35.89	\$45.97	\$52.24	\$60.31
Donated commodities -----	1.78	12.86	13.47	17.72	18.59
Total, Federal -----	14.05	48.75	59.44	69.96	78.90
b. State and local contributions -----	8.47	28.27	34.19	35.77	39.36
c. Children's payments -----	23.45	45.86	49.54	49.59	49.80
4. Percent of total U.S. enrollment participating -----	16.9%	49.0%	46.1%	49.3%	50.1%
5. Average number of children participating per school---	101	293	278	280	280

a/ Represents distribution from State warehouses to local school districts.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
Washington, D.C. 20250

TABLE II

CHILD FEEDING PROGRAM -- Nonfood Assistance
Apportionment of Funds, by States, Nonfood Assistance Program
Fiscal Year 1976

STATE	Two-Thirds Apportionment Based on Total Lunches Served in FY 1974				Enrollment in Schools Without Food Service 1/				Percent of : Enrollment in : Schools w/o				One-Third Apportionment Based on Schools w/o Food Service				Total Apportionment			
	Total	Agency	Regional	Office	Total	Agency	Regional	Office	Total	Agency	Regional	Office	Total	Agency	Regional	Office	Total	Agency	Regional	Office
	Dollars	Dollars	Dollars	Dollars	No. of Children	No. of Children	No. of Children	No. of Children	%	%	%	%	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Alabama	325,467	319,944	5,523		17,322	86	17,236		.38289	26,356	131	26,225	351,823	320,075			31,748			
Alaska	18,496	18,496			5,308				1.1735	7,076	8,076			26,552						
Arizona	128,063	128,063			46,394	46,394			1.1735	7,076	71,151			177,314						
Arkansas	138,285	138,285			46,394	46,394			1.1735	7,076	71,151			177,314						
California	789,294	789,294	3,167		807,378	807,378	3,167		17.84634	1,228,423	1,228,423	5,809	2,018,217	2,018,217			8,976			
Colorado	154,938	154,938	4,600		21,610	21,610	4,600		2.77315	190,885	27,493		214,887	214,887			31,530			
Connecticut	120,666	120,666			125,459	125,459			2.77315	190,885	190,885			311,551						
Delaware	42,835	42,835			8,112	8,112			12.342	12,342	12,342			55,177						
District of Columbia	38,725	38,725			15,435	15,435			23.485	23,485	23,485			62,220						
Florida	524,879	524,879			148,273	148,273			3.27744	225,597	225,597			760,476						
Georgia	510,236	510,236			810	810			.01790	1,422	1,422			311,226						
Hawaii	10,361	10,361			791	791			.01790	1,422	1,422			311,226						
Idaho	83,091	83,091	4,490		9,532		9,532		.21070	14,503	14,503			97,594						
Illinois	95,053	95,053			12,041	12,041			.26615	18,230	18,230			73,373						
Indiana	260,866	260,866			462,467	462,467			10.22284	703,672	703,672			1,284,658						
Iowa	256,568	256,568			72,787	72,787			1.35332	20,724	20,724			280,798						
Kansas	173,137	173,137			15,921	15,921			.35132	32,061	32,061			205,198						
Kentucky	317,881	317,881			21,072	21,072			.46578	32,061	32,061			329,478						
Louisiana	417,675	417,675			7,622	7,622			.16848	11,597	11,597			497,704						
Maine	70,828	70,828	3,775		52,559	52,559	3,775		1.16265	80,029	80,029			112,283						
Maryland	199,728	199,728			72,930	72,930			.80225	41,955	41,955			310,691						
Massachusetts	395,299	395,299			117,782	117,782			1.61205	110,963	110,963			574,504						
Michigan	397,332	397,332			330,199	330,199			2.60346	179,205	179,205			899,729						
Minnesota	331,840	331,840			44,297	44,297			7.29874	502,397	502,397			399,237						
Mississippi	282,710	282,710			17,081	17,081			.37756	67,397	67,397			268,699						
Missouri	379,264	379,264			35,464	35,464			.78257	25,389	25,389			393,131						
Montana	177,876	177,876	1,772		2,975	2,975	1,772		.68537	46,761	46,761			177,125						
Nebraska	108,685	108,685			59,476	59,476			.76301	52,455	52,455			161,146						
Nevada	22,464	22,464			11,030	11,030			.24381	16,782	16,782			39,246						
New Hampshire	43,141	43,141			29,317	29,317			.66129	45,319	45,319			83,689						
New Jersey	299,589	299,589			538,831	538,831			11.68932	804,615	804,615			1,104,204						
New Mexico	96,758	96,758			7,495	7,495			.16567	11,404	11,404			108,162						
New York	880,398	880,398			350,288	350,288			7.74279	532,962	532,962			1,413,360						
North Carolina	512,404	512,404			24,996	24,996			.55251	38,031	38,031			550,435						
North Dakota	53,213	53,213			8,899	8,899			.15250	10,497	10,497			63,740						
Ohio	631,940	631,940	36,343		178,273	178,273	36,343		3.94056	271,242	110,441			903,182						
Oklahoma	201,238	201,238			1,987	1,987			.04932	3,023	3,023			204,261						
Oregon	134,656	134,656			32,493	32,493			.71825	49,488	49,488			184,094						
Pennsylvania	672,942	672,942			376,359	376,359			8.32487	572,837	572,837			1,245,829						
Rhode Island	24,770	24,770			16,013	16,013			.35392	24,364	24,364			66,239						
South Carolina	41,935	41,935			16,013	16,013			.00283	195	195			4,909						
South Dakota	273,082	273,082			7,072	7,072			.15632	10,760	10,760			283,845						
Tennessee	336,383	336,383	2,253		6,860	6,860	2,253		.15163	10,437	10,437			68,341						
Texas	851,020	851,020	4,440		5,790	5,790	4,440		1.08377	5,785	5,785			940,699						
Trust Territory	35,591	35,591			58,941	58,941			1.20384	89,679	19,512			854,615						
Utah	111,902	111,902			4,464	4,464			.09867	6,792	6,792			42,383						
Vermont	31,008	31,008			3,800	3,800			.08400	5,782	5,782			117,684						
Virginia	393,937	393,937			11,213	11,213			.24785	17,060	17,060			48,068						
Virgin Islands	12,496	12,496			749	749			.39602	27,338	27,338			421,591						
Washington	128,244	128,244			27,254	27,254			.68606	114,698	114,698			151,167						
West Virginia	135,944	135,944			13,419	13,419			1.59701	20,417	20,417			156,361						
Wisconsin	271,235	271,235			122,467	122,467			2.20702	186,333	186,333			457,568						
Wyoming	23,143	23,143			9,222	9,222			.20384	14,031	14,031			37,174						
TOTAL	13,766,667	13,663,046	103,621		4,524,054	4,224,855	299,199		100.00000	6,883,333	6,428,100			20,650,000						

1/ Figures supplied in special survey by State Agencies and Regional Offices where private schools are administered by USDA.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD AND NUTRITION SERVICE

Child Nutrition and Special Milk Programs
Comparison of Federal and State Financing for the Fiscal Year 1975

TABLE III

State	Special Milk	School Lunch	School Assistance	Special Assistance	School Breakfast	Nonfood Assistance	Admin. Expenses	Special Feeding	Commodity Distribution Section 6 a/	Commodity Distribution b/	Total Federal c/	State d/ Financing	Total Federal and State	Total Contrib. as Percent of Total
Alabama	\$ 2,691,000	\$11,101,000	\$25,961,000	\$346,662	\$160,874	\$ 2,900,001	\$ 1,448,494	\$ 11,264,740	\$ 58,291,771	\$ 28,795,925	\$ 87,087,696		\$ 87,087,696	67.0
Alaska	55,000	605,000	779,649	51,336	61,066	130,000	83,589	633,279	2,477,899	5,482,597	7,960,496		7,960,496	31.1
Arizona	313,695	4,404,503	6,875,000	234,673	97,089	638,000	731,772	5,622,438	19,882,710	24,887,451	44,769,621		44,769,621	44.4
Arkansas	1,428,000	6,120,037	12,441,000	1,211,000	188,344	91,560	1,083,595	8,855,787	24,310,323	17,734,852	42,045,175		42,045,175	61.4
California	9,105,000	27,512,698	55,276,000	13,001,000	2,218,043	336,505	6,997,671	15,289,942	20,925,413	153,465,000	304,086,272		304,086,272	49.5
Colorado	1,154,000	5,180,000	6,016,000	417,600	887,580	93,710	887,580	3,294,913	17,603,236	24,618,604	42,221,840		42,221,840	41.6
Connecticut	2,601,000	4,584,000	6,932,000	1,221,262	93,734	998,159	671,215	2,675,017	19,845,387	28,633,000	48,478,387		48,478,387	40.9
Delaware	352,550	1,439,000	1,883,000	224,000	53,337	50,966	432,623	127,953	992,352	5,612,202	7,733,000		13,345,202	42.0
District of Columbia	182,936	1,259,882	4,675,739	1,420,467	43,580	76,443	928,000	108,210	9,982,609	7,176,000	16,863,609		16,863,609	57.4
Florida	1,674,000	17,801,070	33,426,000	4,484,000	610,824	196,238	4,185,000	13,414,313	78,575,024	69,302,699	147,877,723		147,877,723	53.1
Georgia	3,190,000	16,886,191	33,312,000	3,113,000	531,907	172,812	3,869,000	1,994,943	76,608,161	60,073,592	136,681,753		136,681,753	56.0
Hawaii	---	355,682	421,177	182,028	9,760	111,789	5,515	239,286	1,226,691	2,605,000	3,831,691		3,831,691	32.0
Idaho	171,887	2,836,758	1,928,997	128,000	67,523	14,831	445,693	1,715,851	7,421,329	13,493,000	20,914,329		20,914,329	35.4
Illinois	7,850,000	19,291,179	36,624,000	815,661	38,483	129,000	375,011	1,364,612	5,530,301	6,763,546	12,293,847		12,293,847	47.9
Indiana	3,302,000	12,770,000	11,019,000	652,000	104,860	1,503,496	1,524,603	10,723,358	89,289,295	99,308,000	188,597,295		188,597,295	44.3
Iowa	1,666,000	8,572,000	5,966,000	282,000	317,690	197,000	847,429	4,016,476	22,325,570	65,598,000	108,017,417		108,017,417	39.2
Kansas	1,245,000	5,811,000	5,178,000	342,887	342,887	342,887	46,676	5,564,391	18,967,975	28,414,037	66,839,973		66,839,973	33.4
Kentucky	2,926,753	10,628,000	18,822,007	4,730,762	376,328	155,386	3,056,879	9,237,568	51,183,286	27,772,000	77,952,286		77,952,286	64.8
Louisiana	1,027,000	2,487,551	3,772,500	4,288,500	444,787	188,637	2,565,000	9,212,344	67,542,021	50,593,371	118,045,392		118,045,392	57.1
Maine	920,000	7,158,151	13,039,481	331,000	302,162	95,172	1,569,671	5,110,813	32,248,555	46,599,000	78,847,555		78,847,555	40.8
Maryland	3,097,364	13,168,000	17,078,000	2,040,000	690,353	106,759	1,963,208	1,962,048	52,846,172	74,381,000	127,227,172		127,227,172	41.5
Massachusetts	6,306,400	13,480,100	19,976,667	743,000	1,023,000	141,700	3,239,000	1,821,984	55,903,951	45,841,000	101,744,951		101,744,951	54.9
Michigan	3,083,000	10,930,000	9,931,000	727,000	732,093	91,719	969,265	8,115,706	36,324,981	40,470,568	76,795,549		76,795,549	47.3
Minnesota	1,220,255	8,088,814	23,443,120	864,000	326,784	159,765	1,504,144	6,851,271	46,604,483	14,582,899	61,187,382		61,187,382	76.1
Mississippi	2,467,520	11,381,000	15,494,000	1,692,000	376,515	78,439	1,529,689	6,891,421	42,245,584	48,919,302	91,164,886		91,164,886	46.3
Missouri	253,000	3,599,000	1,715,000	201,000	142,676	30,335	185,000	1,395,236	5,897,018	7,102,000	12,999,018		12,999,018	45.3
Montana	762,016	3,589,000	1,166,900	246,500	361,759	41,045	352,691	3,211,618	12,305,929	17,773,516	30,079,445		30,079,445	40.9
Nebraska	146,000	880,947	2,160,436	207,000	43,050	30,164	275,000	578,118	6,246,508	6,557,410	9,971,896		9,971,896	34.2
Nevada	794,687	1,623,560	2,160,333	89,600	207,333	34,722	138,830	7,045,410	3,246,508	11,618,000	17,887,508		17,887,508	35.0
New Hampshire	4,894,500	10,385,000	19,556,500	2,169,500	4,288,653	300,000	4,822,760	1,699,660	55,529,070	71,095,000	126,624,070		126,624,070	43.8
New Jersey	988,000	3,312,000	8,729,000	612,000	116,485	87,388	525,000	582,000	34,690,330	9,120,767	43,811,097		43,811,097	79.1
New Mexico	10,662,000	29,807,000	72,599,000	5,664,000	2,017,363	289,527	23,589,527	17,479,784	163,453,626	144,852,000	310,805,642		310,805,642	53.3
North Carolina	5,376,000	17,012,713	36,942,946	3,632,000	584,804	192,638	3,177,000	2,855,192	13,815,731	83,949,242	63,998,317		63,998,317	56.5
North Dakota	371,000	1,743,000	1,754,000	80,500	90,770	13,124	130,500	3,136,272	5,941,996	7,005,611	12,947,607		12,947,607	45.8
Ohio	8,652,740	21,630,259	26,100,000	3,574,000	1,507,000	149,132	3,302,000	3,139,704	83,069,319	104,309,222	187,378,541		187,378,541	44.3
Oklahoma	1,167,000	6,805,963	10,344,000	3,408,441	337,322	692,100	670,000	3,526,530	27,852,792	30,376,603	58,429,395		58,429,395	47.6
Oregon	1,055,850	4,446,793	3,408,441	337,322	334,497	692,100	670,000	3,526,530	16,749,424	18,713,095	35,462,519		35,462,519	47.2
Pennsylvania	3,980,000	24,075,000	31,463,441	2,078,000	1,241,516	202,465	1,440,200	9,000,890	87,016,509	121,146,000	208,162,509		208,162,509	41.8
Puerto Rico	---	8,565,000	24,994,000	3,872,000	293,534	146,334	675,000	5,297,435	43,870,893	26,808,000	70,678,893		70,678,893	62.0
Rhode Island	657,000	1,496,000	3,378,000	240,000	165,601	51,461	288,000	1,741,116	7,346,295	6,845,000	14,191,295		14,191,295	51.7
South Carolina	1,280,500	9,189,000	23,400,000	1,652,000	286,612	81,331	2,843,000	8,564,307	48,487,260	26,499,260	74,986,940		74,986,940	64.6
South Dakota	431,000	1,920,000	2,226,000	336,000	81,808	72,123	2,863,000	3,053,342	7,019,024	10,651,569	17,670,593		17,670,593	39.7
Tennessee	3,813,000	11,406,566	20,925,809	1,754,500	363,018	108,719	1,937,000	6,629,976	55,839,647	56,701,000	112,540,647		112,540,647	49.6
Texas	5,522,000	28,831,000	60,581,000	7,570,000	909,814	296,486	4,221,000	21,821,366	130,800,664	123,219,320	254,019,984		254,019,984	51.4
Utah	245,000	3,798,494	2,894,000	110,600	135,338	49,800	1,047,998	1,047,998	10,098,014	15,102,674	25,200,688		25,200,688	40.0
Vermont	2,838,000	12,529,000	20,558,000	1,243,000	453,497	81,449	1,477,000	788,677	4,322,614	4,889,397	9,212,011		9,212,011	46.9
Virgin Islands	---	---	---	---	---	---	---	---	---	---	---		---	---
Virginia	1,834,815	4,404,435	1,161,875	46,035	17,872	29,451	75,000	10,175,834	49,421,415	56,315,000	105,736,415		105,736,415	46.7
Washington	626,000	4,283,000	8,866,000	719,100	339,480	70,411	310,588	3,105,986	2,060,986	3,272,021	5,333,007		5,333,007	38.6
West Virginia	4,361,000	9,318,000	9,471,000	1,197,000	216,129	112,308	941,000	4,491,768	23,376,702	26,029,000	49,405,702		49,405,702	47.3
Wisconsin	75,000	822,000	8,314,000	419,000	541,450	73,241	1,168,000	2,920,796	19,264,459	16,481,478	35,725,937		35,725,937	53.8
Wyoming	---	---	---	---	---	---	---	---	---	---	---		---	---
Samoa, American	---	---	---	---	---	---	---	---	---	---	---		---	---
Trust Territories	---	---	---	---	---	---	---	---	---	---	---		---	---
UNDISTRICTED	-366,868	+63,192	-7,118,565	-3,828,214	+64,412	+23,147	-2,210,196	---	-13,369,288	---	-13,369,288		-13,369,288	100.0
TOTAL	126,068,000	466,856,000	818,000,000	83,000,000	28,043,587	6,000,000	101,776,321	64,319,707	372,324,300	2,063,832,826	2,079,219,337		4,143,052,163	49.8

a/ Transfer from Section 32 for commodity donations to schools.

b/ Includes surplus commodities acquired under price support (Section 416) and surplus removal program (Section 32).

c/ Excludes \$877,025 Nutritional Training and Surveys.

d/ Contributions from the several sources within the States--State and local government contributions, other local contributions, and payments by children.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
Washington, D.G. 20250

TABLE IV

NATIONAL SCHOOL LUNCH PROGRAM

Number of Children and Schools Participating (Elementary and Secondary Schools) 1/

FISCAL YEAR 1975

REGION/STATE	U. S. Schools	NSLP Schools	NSLP of U. S. Schools	U. S. Enrollment	NSLP 1/ Participants	NSLP Partici- pants To U. S. Enrollment	NSLP 1/ Enrollment	NSLP Partici- pants To NSLP Enrollment	NSLP Average Daily Attendance
	2/	1/	%	No. of Children	%	No. of Children	%	No. of Children	
NORTHEAST									
Connecticut	1,480	943	63.7	724,904	227,412	31.4	532,033	42.7	520,275
Delaware	264	217	82.2	148,427	87,147	58.7	133,502	65.3	116,388
District of Columbia	311	205	65.9	155,543	74,537	47.9	132,659	56.2	109,778
Maine	1,000	774	77.4	269,742	133,848	49.6	223,998	59.8	209,307
Maryland	1,782	1,414	79.3	1,026,618	390,145	38.0	900,772	43.3	814,535
Massachusetts	3,063	2,560	83.6	1,347,472	716,670	53.2	1,229,815	58.3	1,137,286
New Hampshire	474	400	84.4	191,660	75,881	39.6	150,840	50.3	147,537
New Jersey	3,229	1,843	57.1	1,774,267	562,361	31.7	1,478,956	38.0	1,373,050
New York	6,540	4,847	74.1	4,166,667	1,689,042	40.5	3,373,773	50.1	3,052,954
Pennsylvania	5,942	4,575	77.0	2,743,607	1,225,457	44.7	2,254,970	54.3	2,097,122
Puerto Rico	2,824	2,638	93.4	804,832	497,875	61.9	751,718	66.2	632,149
Rhode Island	492	400	81.3	210,489	81,957	38.9	186,725	43.9	167,716
Vermont	465	366	78.7	121,138	60,326	49.8	98,998	60.9	94,048
Virginia	1,914	1,815	94.8	1,121,651	714,507	63.7	1,094,469	65.3	989,569
Virgin Islands	67	55	82.1	29,147	23,018	79.0	27,707	83.1	25,451
West Virginia	1,367	1,282	93.8	421,793	236,979	56.2	413,502	57.3	359,976
Regional Total	31,214	24,334	78.0	15,257,957	6,797,162	44.5	12,984,437	52.3	11,847,141
SOUTHEAST									
Alabama	1,469	1,354	92.2	835,175	630,911	75.5	811,786	77.7	735,167
Florida	2,400	1,930	80.4	1,711,418	940,626	55.0	1,543,718	60.9	1,424,853
Georgia	1,822	1,814	99.6	1,073,585	868,635	80.9	1,046,881	83.0	1,005,006
Kentucky	1,650	1,556	94.3	757,895	578,836	76.4	739,767	78.2	695,015
Mississippi	1,083	933	86.1	579,183	443,651	76.6	525,295	84.5	483,020
North Carolina	2,256	2,002	88.7	1,237,410	929,834	75.1	1,189,035	78.2	1,085,194
South Carolina	1,259	1,135	90.2	649,991	482,627	74.3	615,945	78.4	591,695
Tennessee	1,919	1,798	93.7	824,811	628,539	76.2	873,953	71.9	803,924
Regional Total	13,858	12,522	90.4	7,669,468	5,503,659	71.8	7,346,380	74.9	6,823,874
MIDWEST									
Illinois	5,869	4,002	68.2	2,709,936	1,152,580	42.5	2,019,593	57.1	1,807,437
Indiana	2,526	2,274	90.0	1,401,344	680,203	48.5	1,192,702	57.0	1,115,539
Iowa	2,341	2,209	94.4	721,194	470,576	65.2	646,181	72.8	589,317
Kansas	1,825	1,719	94.2	499,973	314,225	62.8	474,063	66.3	440,879
Michigan	4,846	3,208	66.2	2,374,441	756,016	31.8	1,632,821	46.3	1,502,195
Minnesota	2,314	2,160	93.3	906,437	588,105	64.9	921,910	63.8	845,710
Missouri	2,846	2,594	91.1	1,113,640	628,326	56.4	1,046,513	60.0	965,259
Nebraska	2,093	1,198	57.2	351,343	198,330	56.4	319,401	62.1	299,363
Ohio	5,103	4,469	87.6	2,606,872	1,133,956	43.5	2,501,800	45.3	2,320,769
Wisconsin	2,984	2,387	80.0	1,135,436	501,767	44.2	959,842	52.3	904,243
Regional Total	32,747	26,220	80.1	13,820,616	6,424,084	46.5	11,714,826	54.8	10,790,711
WEST-CENTRAL									
Arkansas	1,342	1,305	97.2	467,931	336,083	71.8	462,207	72.7	431,489
Colorado	1,418	1,239	87.4	531,116	271,265	51.1	512,654	52.9	482,553
Louisiana	1,925	1,721	89.4	945,094	805,859	85.3	931,734	86.5	834,352
Montana	903	576	63.8	182,102	90,080	49.5	153,942	58.5	138,903
New Mexico	792	651	82.2	318,702	177,815	55.8	287,840	61.8	265,916
North Dakota	617	504	81.7	144,199	92,164	63.9	147,520	62.5	141,308
Oklahoma	1,915	1,885	98.4	556,018	392,347	70.6	636,008	61.7	555,235
South Dakota	982	640	65.2	166,531	93,820	56.3	153,698	61.0	141,402
Texas	5,822	5,257	90.3	3,051,910	1,541,799	50.5	2,864,559	53.8	2,652,323
Utah	593	553	93.3	310,992	199,710	64.2	305,726	65.3	287,933
Wyoming	401	305	76.1	89,472	41,119	46.0	76,378	53.8	74,053
Regional Total	16,710	14,636	87.6	6,764,067	4,042,061	59.8	6,532,266	61.9	6,005,467
WESTERN									
Alaska	454	279	61.5	90,940	33,236	36.5	79,096	42.0	69,634
Arizona	980	757	77.2	532,711	245,890	46.2	450,313	54.6	402,130
California	9,216	5,834	63.3	4,878,147	1,432,643	29.4	3,956,400	36.2	3,754,624
Guam	53	50	94.3	33,349	21,709	65.1	32,248	67.3	28,810
Hawaii	329	250	76.0	214,727	155,905	72.6	188,156	82.9	171,663
Idaho	556	514	92.4	196,334	102,309	52.1	178,385	57.4	162,111
Nevada	285	222	77.9	146,819	46,316	31.5	133,331	34.7	120,466
Oregon	1,463	1,182	80.8	492,170	233,320	47.4	434,068	53.8	410,006
Samoa, American	38	35	92.1	9,624	8,351	86.8	8,800	94.9	8,680
Washington	2,006	1,547	77.1	818,260	320,578	39.2	714,890	44.8	673,280
Regional Total	15,380	10,670	69.4	7,413,081	2,600,257	35.1	6,175,687	42.1	5,801,404
GRAND TOTAL	109,909	88,382	80.4	50,925,189	23,367,223	49.8	44,753,596	56.7	41,268,597

1/ Data represent the number of children enrolled, participation, and average daily attendance in the program during November 1974 and number of schools in March 1975. The number of schools and participants may have been higher in some States during other months, but these were the peak months nationally. Number of participants adjusted to be comparable with enrollment.

2/ SOURCE: Annual Report of School Food Service, as of October 1, 1974. Does not include 255 schools with an enrollment of 36,698 in the Trust Territories.

Commodities Distributed to the Child Nutrition Programs
During Fiscal Years 1974 and 1975

TABLE V

Program and Commodity	FY 1974		FY 1975	
	Pounds	Amounts	Pounds	Amounts
Direct Purchases:				
Section 6				
Applesauce	\$ 1,295	\$ 144	---	---
Apricots, Canned	5,600	830	---	---
Beans, Dry	---	---	\$ 2,926,573	\$ 760,033
Beef Products	20,440,240	19,573,572	13,352,046	8,401,109
Corn, Canned	35,100	4,532	1,948	251
Chicken, Frozen	52,391,493	24,508,742	34,501,973	16,440,191
Frankfurters, Frozen	19,698,995	16,129,533	24,872,417	16,761,009
Fruit Cocktail	373,424	76,925	621	128
Green Beans, Canned	2,584	314	---	---
Orange Juice, Frozen	6,769,380	1,925,212	1,200	341
Peaches, Canned	1,226,560	241,630	11,301,860	3,036,811
Peas, Canned	27,360	3,825	360	50
Pineapple, Canned	4,179,577	705,930	13,289	2,245
Pork Products	2,212,827	1,896,614	330	283
Potatoes, Frozen French Fries	3,130,500	603,873	29,583,320	6,901,788
Sweet Potatoes	5,737,495	1,416,169	10,615,417	3,116,148
Tomato Products	545,253	77,644	20,576	2,930
Turkeys	497,894	252,283	9,582,864	8,300,740
Total, Section 6	117,275,577	67,417,772	136,774,794	63,724,057
Donated Commodities				
Section 32				
Apple Juice	5,240	545	1,068,003	151,763
Applesauce	153,371	19,171	17,709,842	3,602,183
Beans, Dry	---	---	8,547,101	2,011,132
Beef Products	22,858,479	22,593,318	197,285,775	156,756,772
Corn, Canned	53,116	10,268	184,296	35,625
Corn Syrup	739,499	117,652	1,524,231	506,960
Cranberry Sauce	22,310,367	3,569,658	14,048,752	2,974,122
Egg Mix	516,752	767,066	894,510	1,409,569
Fruit Cocktail	1,596,993	324,828	38,306	7,792
Grape Juice	97,504	16,450	---	---
Grapefruit, Canned & Sections	29,134,138	3,312,553	11,163,432	1,461,682
Green Beans, Canned	32,150,523	7,629,663	13,587,209	2,804,398
Green Beans, Frozen	---	---	8,607,760	2,246,628
Honey	3,690	775	720	151
Lard/Shortening	72	25	62,280	21,704
Lentils	234,243	86,600	179,518	66,368
Meat, Canned Luncheon	351,722	279,058	5,859,675	3,339,426
Milk, Evaporated	220,979	52,438	1,185,870	288,523
Milk, Dry Whole	563,551	497,165	126,408	119,784
Orange Juice, Frozen	57,256,810	16,896,488	25,719,833	7,728,809
Orange Juice, Processed	2,082,201	249,863	1,608,449	229,204
Peaches, Canned	444,044	72,069	13,831,622	3,361,084
Peanut Butter	24,491,007	9,399,651	22,473,934	9,821,111
Peanut Granules	485,415	285,328	2,437,008	1,500,465
Pears, Canned	15,423,869	3,474,996	272,535	61,404
Peas, Dried Split	1,048,422	283,178	584,144	157,778
Pea Soup Mix	19,725	5,849	2,675	793
Plums, Canned	8,180,635	1,519,140	60,284	11,195
Pork Products	9,910	6,127	11,345,209	9,639,653
Potatoes, Dehydrated	61,778	13,172	1,161	310
Potatoes, Frozen French Fries	351,690	49,553	234,270	33,008
Poultry, Canned	18,954,593	18,747,988	18,922,996	13,054,971
Prunes, Dried	28,983	8,857	402,852	123,394
Raisins	8,340	1,320	1,350	214
Tomato Products	19,753,474	3,527,965	222,694	39,773
Turkey Products	34,379,425	23,910,118	45,257,756	19,907,408
Total, Section 32	293,970,560	117,728,895	425,452,460	243,475,156
Section 416				
Bulgur	1,332,620	164,711	345,895	51,227
Butter	88,007,849	58,446,011	30,237,263	20,921,160
Cheese	8,648	8,528	84,822,349	66,763,666
Corn Flour	460,550	18,330	---	---
Corn Meal	18,689,678	1,474,614	3,171,770	304,174
Farina	130,158	26,787	84,462	19,182
Flour	315,008,953	36,730,044	29,371,935	3,656,809
Grits, Corn	1,442,908	132,460	383,660	35,220
Macaroni	494,785	95,346	1,144,074	212,112
Margarine	10,192,950	4,145,472	4,443,810	1,807,299
Milk, Instant Fortified	2,837,880	2,011,041	3,338,106	2,345,352
Milk, Nonfat Dry	1,747,636	555,400	34,462,386	19,936,490
Oats, Rolled	8,182,040	805,932	1,732,148	202,835
Rice	36,897,770	9,586,062	9,849,442	2,351,062
Rice Cereal, Instant	---	---	804	402
Salad Oil	23,113,522	7,535,007	5,538,793	1,805,649
Shortening, Vegetable	38,333,711	12,109,619	6,472,002	3,199,758
Wheat Rolled	2,897,116	358,952	1,108,522	137,347
Total, Section 416	549,778,774	134,204,316	216,507,421	123,749,744
TOTAL	961,024,911	319,350,983	778,734,675	430,948,957

National School Lunch Program

Oldest and largest of the child nutrition programs, the National School Lunch Program, was enacted in 1946 to assist the States in establishing, maintaining, and expanding nonprofit lunch service in elementary and secondary schools.

During fiscal year 1975:

- Nearly 88,500 schools took part in the program, almost 1,000 more than a year earlier. Thus, a school lunch program was available to 87.8 percent of the Nation's school enrollment, up from 86.4 percent the year before.
- School lunch participation increased, despite the steady decline in school enrollment. In fiscal year 1975, participation peaked at 25.4 million, representing almost 57 percent of the children enrolled in participating schools.
- Reflecting general economic conditions, the lunch program reached a larger number and proportion of needy children than the previous year. Free and reduced-price

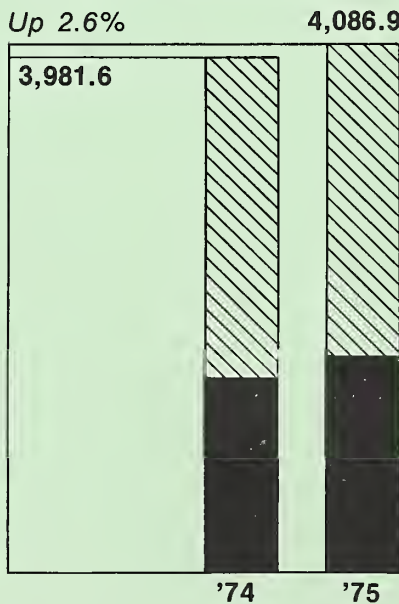
lunches reached 10.4 million youngsters, compared with 9.5 million in 1974. These lunches accounted for two out of every five of the four billion lunches served under the program.

The total cost of the National School Lunch Program was \$3.8 billion. The Federal contribution was \$1.7 billion or 45 percent. The remainder came from State and local contributions, including children's payments for lunches. The average Federal contribution per lunch totaled 41.6 cents—31.4 cents in cash and 10.2 cents in donated foods. That was 18.9 percent higher than the previous year, due in part to (1) new legislation setting the average cost of federally donated foods at not less than 10 cents per lunch and (2) the required semiannual adjustment in average reimbursement payments to keep pace with food price changes as reported by the Bureau of Labor Statistics for "food away from home."

Participation
(Children Reached-Peak)
Millions of Recipients



Total Lunches Served
Millions of Lunches



Federal Contribution
Millions of Dollars

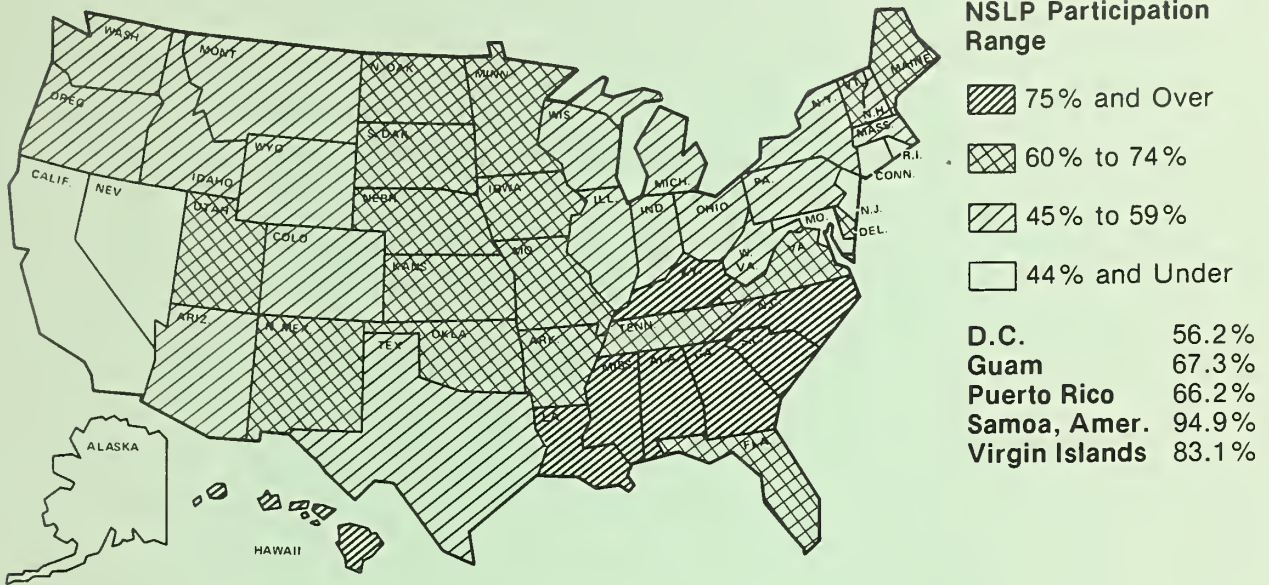


■ Free/Reduced Price

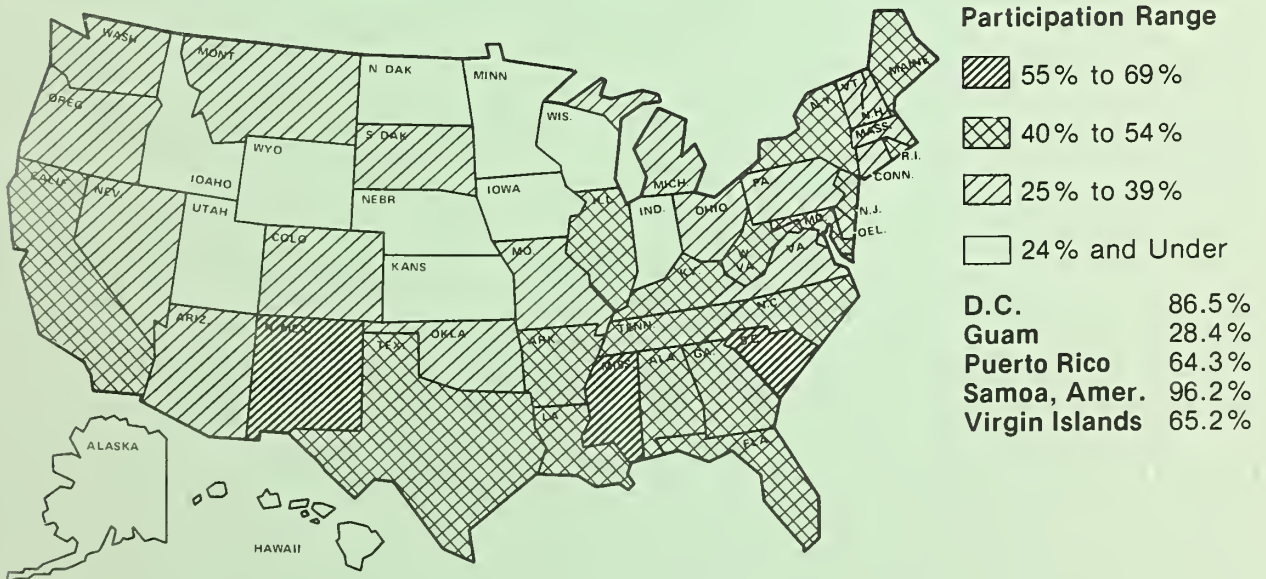
▨ Paid

▨ Commodities
■ Cash

National School Lunch Participation as a Percent of Enrollment in Participating Schools, FY 1975 (Preliminary)



Students Receiving Free and Reduced Price Lunches as a Percent of Total Participation in the National School Lunch Program, FY 1975 (Preliminary)



Special Nutrition Supplements

Appropriation Act, 1976 -----	---
Budget Estimate, 1977 -----	\$ 277,677,000
Increase in Appropriation -----	<u>+277,677,000</u>
Adjustments in 1976	
Appropriation Act, 1976 -----	---
Activities transferred from:	
Child Nutrition -----	\$214,850,000
Section 32 -----	12,350,000
CCC (Section 416) -----	7,400,000
Food Donations -----	17,400,000
Adjusted base for 1977 -----	\$ 252,000,000
Budget estimate, 1977 -----	<u>277,677,000</u>
Increase over adjusted 1976 -----	<u>+ 25,677,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1976	Increase or Decrease	1977 Estimate
Commodities in lieu of food stamps -----	\$ 14,000,000	\$- 9,138,000	\$ 4,862,000
Developmental nutrition supplementation -----	209,100,000	+55,250,000	264,350,000
Project support -----	<u>28,900,000^{1/}</u>	<u>-20,435,000</u>	<u>8,465,000</u>
Total -----	<u>252,000,000</u>	<u>+25,677,000</u>	<u>277,677,000</u>

^{1/} Excludes proposed supplemental appropriation of \$1,350,000.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Commodities in lieu of food stamps -----	35,290,000	14,000,000	- 9,138,000(1)	4,862,000
2. Developmental nutrition supplementation -----	98,941,000	209,100,000	+55,250,000(2)	264,350,000
3. Project support -----	<u>37,017,000</u>	<u>28,900,000^{1/}</u>	<u>-20,435,000(3)</u>	<u>8,465,000</u>
Total -----	<u>171,248,000^{2/}</u>	<u>252,000,000^{2/}</u>	<u>+25,677,000</u>	<u>277,677,000</u>

^{1/} Excludes proposed supplemental appropriation of \$1,350,000.

^{2/} Includes amounts previously funded from other accounts:

	1975	1976
Child Nutrition:		
Nonfood (equipment) assistance -----	28,044,000	20,650,000
State administrative expenses -----	6,000,000	6,650,000
Nutritional training and surveys -----	877,000	700,000
Special supplemental food program (WIC) -----	---	186,850,000
Total, Child Nutrition -----	<u>34,921,000</u>	<u>214,850,000</u>
Section 32 -----	<u>111,947,000</u>	<u>12,350,000</u>
CCC (Section 416) -----	<u>24,380,000</u>	<u>7,400,000</u>
Food Donations -----	---	<u>17,400,000</u>

EXPLANATION OF PROGRAM

The special nutrition supplements program regroups several existing programs into a new budgetary classification. The following explanation presents a breakdown under the new and old structures.

Commodities in lieu of food stamps. Under this activity, commodities are made available to families in areas where the food stamp program is not in operation. In fiscal year 1976, the food stamp program was extended to all areas of the United States with the exception of some

Indian reservations. In fiscal year 1977, the transfer of people on the Indian reservation from the commodity distribution program to the food stamp program will be completed during the first nine months of the year.

Developmental nutrition supplementation. This activity includes (a) the special supplemental package program formerly supported with commodities from section 32 and 416 and the food donations appropriation; (b) the pilot food certificate program; and (c) the special supplemental food program (WIC). These programs all provide supplemental foods for women, infants and children.

Project support. This activity includes food service equipment grants authorized under the Child Nutrition Act of 1966; State administrative expenses authorized under the Child Nutrition Act of 1966; nutritional training and surveys; grants for nutrition education; financial assistance under direct distribution to families; and cash assistance under the food donations program.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$9,138,000 for commodities in lieu of food stamps (\$14,000,000 available in FY 1976).

This decrease occurs as the result of P.L. 93-86 which mandates a nationwide food stamp program. The budget assumes that the transfer of food distribution recipients to the food stamp program will be completed by July 1976. Approximately \$4.9 million is necessary for this final stage of the program on Indian reservations. This funding level will support an average caseload of 40,000 recipients for nine months of the fiscal year.

- (2) A net increase of \$55,250,000 for developmental nutrition supplementation consisting of:

- (a) A decrease of \$4,400,000 for the special supplemental package program (\$21,500,000 available in FY 1976).

Number of Participants and Cost of Special Supplemental Package Program

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Participation (average per month)----	132,000	140,000	105,000
Cost (millions) -----	\$17.4	\$21.5	\$17.1

In FY 1977, 35,000 recipients will transfer to the WIC program leaving an average monthly participation of 105,000. This results in a decrease of \$4,400,000 in funds needed for this program.

- (b) An increase of \$60,400,000 for the special supplemental food program (WIC) (\$186,850,000 available for cash grants in FY 1976).

Need for Increase. This increase in funding is needed to accommodate a participation level in FY 1977 which will stabilize at approximately 830,000 recipients per month. This reflects increases in participation due to transfers from the pilot certificate and supplemental package programs. The program will then be operating at its authorized level of \$250 million.

(c) A decrease of \$750,000 for the pilot food certificate program (\$250,000 available in FY 1976).

This decrease results from the transfer of participants to the special supplemental food program (WIC) in FY 1977.

(3) A net decrease of \$20,435,000 for project support consisting of:

(a) A decrease of \$20,650,000 for the nonfood assistance program (\$20,650,000 available in FY 1976).

This decrease occurs because the need for the use of funds for this program has significantly changed during the past few years. Nonfood assistance has been made available to States for expanding and upgrading food service programs in schools. More than \$139 million has been used in fiscal years 1970 through 1975 to provide equipment assistance to 7,559 schools for initiating child nutrition programs and to 45,104 schools to upgrade existing equipment. There are an estimated 89,000 of the total 106,000 schools in the United States participating in the school lunch program. Many of the remaining no-program schools have established other types of food service or are not receptive to participation in child nutrition programs administered by USDA.

(b) A decrease of \$700,000 for nutritional training and surveys (\$700,000 available in FY 1976).

More emphasis can be placed on alternate elements of the educational system while still providing adequate coverage of nutritional training. Many dollars are invested in public and private school systems in the United States but they account for only a small portion of an individual's knowledge. Other elements such as the family and peer groups contribute much more to human behavior, i.e., nutritional habits. The budget assumes that this type of education should be more of a local concern with input coming largely from the local school board and parents.

Research and development in this area is being maintained in the Agricultural Research Service and other areas of the Department.

(c) A decrease of \$135,000 for cash assistance (\$900,000 available in FY 1976).

This is related to the decrease in program funds for commodities in lieu of food stamps. In FY 1977, the food distribution program on Indian reservations will be phased out, and recipients will be transferred to the food stamp program. Therefore, the combination of decreasing caseload and less than a full year of operation will require only \$765,000 in FY 1977.

(d) An increase of \$1,050,000 for State administrative expenses (\$6,650,000 available in FY 1976).

Need for Increase. The increase in funding is necessary to maintain the same program level that has been requested for FY 1976. Public Law 94-105, enacted October 7, 1975 will increase the administrative responsibilities of State agencies. The increase is essential to promote effective and efficient State operations.

Food Stamp Program

Appropriation Acts, 1976 -----	\$5,203,000,000
Budget Estimate, 1977 -----	4,751,200,000
Decrease in Appropriation -----	<u>-451,800,000</u>
Adjustments in 1976	
Appropriation Acts, 1976 -----	5,203,000,000
Transfer in the estimates to:	
Food Program Administration -----	-42,800,000
Adjusted base for 1977 -----	5,160,200,000
Budget estimate, 1977 -----	4,751,200,000
Decrease under adjusted 1976 -----	<u>-409,000,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Bonus costs -----	\$4,828,265,000	\$- 437,997,000	\$4,390,268,000
State Matching -----	250,000,000	+ 25,000,000	275,000,000
Other program costs -----	75,300,000	+ 2,700,000	78,000,000
Total, State matching, other program costs -----	325,300,000	+ 27,700,000	353,000,000
Transfer to the Office of Inspector General for audit and investigations -----	6,635,000	+ 1,297,000	7,932,000
Total, available or estimate -----	<u>5,160,200,000</u>	<u>- 409,000,000</u>	<u>4,751,200,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Bonus costs ----- a/	\$4,514,070,000	\$4,828,265,000	\$-437,997,000	\$4,390,268,000
State matching -----	250,000,000	250,000,000	+ 25,000,000	275,000,000
Other program costs -----	71,000,000	75,300,000	+ 2,700,000	78,000,000
Total, State matching, other program costs -----	321,000,000	325,300,000	+ 27,700,000	353,000,000
Transfer to Office of Inspector General -----	5,245,000	6,635,000	+ 1,297,000	7,932,000
Total, available or estimate -----	<u>4,840,315,000</u>	<u>5,160,200,000</u>	<u>-409,000,000</u>	<u>4,751,200,000</u>
Operating expenses--				
transfer to Food Program Administration -----	34,285,000	42,800,000		
Total, appropriation -----	<u>4,874,600,000</u>	<u>5,203,000,000</u>		

PROJECT STATEMENT
(On basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Bonus costs -----	\$4,117,469,145	\$5,282,793,953	\$-892,525,953(1)	\$4,390,268,000
State matching -----	206,774,392	250,000,000	+ 25,000,000(2)	275,000,000
Other program costs -----	69,815,384	75,300,000	+ 2,700,000(3)	78,000,000
Total, State matching, other program costs -----	276,589,776	325,300,000	+ 27,700,000	353,000,000
Total obligations -----	<u>4,394,058,921</u>	<u>5,608,093,953</u>	<u>-864,825,953</u>	<u>4,743,268,000</u>
Recovery of prior period obligations -----	-16,625,273	---	---	---

	:	:	1976	:	Increase or:	1977
Project	:	1975	:	(estimated)	:	Decrease : (estimated)
Unobligated balance:	:	:	:	:	:	:
Available, start of period -----	:	-130,496,786:	:	-586,528,953:	:	+586,528,953: ---
Available, end of period -----	:	586,528,953:	:	+132,000,000:	:	-132,000,000: ---
Transfer to Office of Inspector	:	:	:	:	:	(4):
General -----	:	5,245,000:	:	6,635,000:	:	+ 1,297,000: 7,932,000
Total, available or estimate -----	:	4,838,710,815:	:	5,160,200,000:	:	-409,000,000: 4,751,200,000
Operating expenses--transfer to	:	:	:	:	:	:
Food Program Administration -----	:	35,889,185:	:	42,800,000:	:	--- : ---
Total, appropriation -----	:	4,874,600,000:	:	5,203,000,000:	:	-409,000,000: 4,751,200,000

a/ Does not include \$278,514,205 obligations in fiscal year 1973 pursuant to Court Action in U.S. District Court, District of Minnesota, Fourth Division, No. 4-73 Civil 258 and used in 1975 pursuant to decision of the Comptroller General of the United States dated May 15, 1975.

EXPLANATION OF PROGRAM

The food stamp program helps persons and families with low incomes to obtain a nutritionally adequate diet through regular retail channels. Participants purchase more and better food with stamps they receive than they could by using their own resources. The value of the food stamps exceeds that of the cash paid by participants by an amount needed to make up the difference between what a household should spend on food (based on the Agriculture Research Service's Thrifty Food Plan) and what it is able to spend, considering its other expenses, income and financial resources.

Bonus food stamps are the difference between the cash payment of participants and the face value of the stamps received. Very low or no-income households receive free food stamps. The free and bonus food stamps are financed completely by Federal funds and represent that portion of a family's food budget sustained by the food stamp program. Since March 1975, food stamp projects have been established in every county in the Country including Puerto Rico. State social service agencies assume responsibility for certifying eligible households and for issuing the stamps through suitable outlets. The Food and Nutrition Service determines various household stamp allotments and purchase requirements.

Authorized grocery stores accept the stamps as payment for food purchases, and forward them to commercial banks for cash or credit at full face value. The stamps flow upward through the banking system to a Federal Reserve Bank for redemption out of a special account maintained by the U.S. Treasury Department. This special account is constituted of, and replenished by, cash paid by participants for food stamps and the Federal contribution covering the cost of bonus and free food stamps.

Since October 1, 1974, all direct and indirect administrative costs incurred for certification of nonpublic assistance households, issuance of food coupons, quality control, outreach and fair hearing efforts are shared by the Federal government and the States on a 50-50 basis, as mandated in P.L. 93-347.

In addition to Federal operating expenses, other program costs borne by the Federal government include:

- (a) the printing and transporting of coupons to authorized State agencies;
- (b) destruction of redeemed coupons by Federal Reserve Banks;
- (c) fifty percent of all the State welfare agencies' food stamp administrative expenses;
- (d) a portion of the cost of employment registration and counseling carried out by State employment offices and the Department of Labor.

JUSTIFICATION OF INCREASES AND DECREASES

The 1977 Food Stamp budget is predicated upon program reform becoming effective before the end of FY 1976.

(1) A net decrease of \$892,525,953 for bonus cost (\$5,282,793,953 available in FY 1976):

- (a) A decrease of \$892,525,953 from the replacement of itemized deductions with a standard deduction and implementation of a 90-day retrospective income accounting procedure which reduces the average monthly participation of 18.4 million persons in fiscal year 1976 by an estimated 5.3 million persons to 13.1 million persons in fiscal year 1977.

Under the reformed legislation, benefits will be redistributed from upper income households to lower income households. The result of this redistribution increases the average bonus per person by 16.8 percent from an average of \$23.92 for fiscal year 1976 to an average of \$27.93 for fiscal year 1977.

It is estimated that the program reform would save \$1.2 billion in bonus cost in fiscal year 1977 from a total bonus level of \$5.5 billion in fiscal year 1976. Implementation of the reform is planned to take place May 1, 1976, and it is estimated that approximately \$200 million will be saved in May and June of fiscal year 1976. The Child Food Assistance Act of 1976 would replace the benefits a child receives under the WIC program. Upon enactment of this proposal, pregnant and lactating women would be made eligible for an additional amount of food stamps so that they would be able to purchase additional food. This would increase food stamp bonus costs by about \$0.1 billion. Thus, the total savings in fiscal year 1977 would be \$0.9 billion (from \$5.3 billion to \$4.4 billion, respectively).

- (2) An increase of \$25,000,000 for matching for State administration (\$250,000,000 available in FY 1976):

An increase of \$25,000,000 to provide for the cost of Federal reimbursement of 50 percent of all State administrative expenses in relation to the program. Since October 1, 1974, all direct and indirect administrative costs incurred for certification of nonpublic assistance households, issuance of food coupons, quality control, outreach and fair hearing efforts are shared by the Federal government and the States on a 50-50 basis, as provided in P.L. 93-347.

- (3) An increase of \$2,700,000 for other program costs (\$75,300,000 available in FY 1976):

An increase of \$2,700,000 to provide for the increased cost of such nonbonus items as: printing, shipping and processing of coupons.

- (4) An increase of \$1,297,000 transferred to the Office of the Inspector General (\$6,635,000 available in FY 1976):

These funds are used for audits and investigations of the food stamp program. A detailed explanation of the proposed use of these funds is in volume 1 page 51 of these notes.



STATUS OF PROGRAM

In fiscal year 1975, there was a dramatic expansion of the Food Stamp Program resulting from completion of the mandatory nationwide switch from the Food Distribution to the Food Stamp Program and a major increase in the total demand for food assistance. With an appropriation of about \$5 billion authorized for the program, fiscal year 1975 was marked a significant increase in program activity and workload associated with this dramatic program growth and:

- ... Preparation of amendatory revisions in the Food Stamp Regulations to reflect legislative changes in the Food Stamp Act.
- ... Lawsuits filed against the Department of Agriculture challenging various aspects of the Food Stamp Program operations.
- ... Report on the Food Stamp Program in response to S. Resolution 58.
- ... Issuance of emergency food stamps to disaster victims.

LEGISLATIVE ACTION

Supplemental Security Income

On July 8, 1974, P. L. 93-335 was enacted extending until July 1, 1975, the eligibility of SSI recipients for food stamps except for those States which had included the cash equivalent of the bonus allotment in the supplemental payment. Then again on June 28, 1975, another extension -- until July 1, 1976 -- was signed into law as P. L. 94-44.

Continuation of Food Distribution Program on Indian Reservations and Payment of 50 Percent of State Agency Administrative Costs

On July 12, 1974, P.L. 93-347 amended the Food Stamp Act to continue the distribution of foods on Indian Reservations until June 30, 1977. The same legislation also authorized the Secretary to pay each State agency 50 percent of all costs of administering the Food Stamp Program including, but not limited to: certification, acceptance and storage of coupons, issuance, outreach, fair hearings, and control and accounting of coupons. The payment is conditional on the Secretary's determination that the State is operating an efficient and effective program.

Tax Dependency

P. L. 93-563, signed December 31, 1974, making appropriations for the Food Stamp Program for fiscal year 1975, provided that no college student could participate if he was a properly claimed tax dependent of an ineligible household. The legislation expired at the end of fiscal year 1975 but the prohibition was continued in P.L. 94-122.

30 Percent Purchase Requirements

The Department undertook to revise purchase requirements to a level equal to 30 percent of household income during fiscal year 1975. This was done in an effort to make more uniform purchase requirements applicable to all participating households except those with the lowest incomes, which would have continued to receive their allotments free of charge. However, with

enactment of Public Law 94-4 which required a virtual freeze on purchase requirements through 1975, the Department rescinded its revision and the purchase requirements remained unchanged, except for increases in purchase requirements for households at the very upper net monthly income brackets, in line with the congressional intent expressed in House Committee on Agriculture Report No. 94-2, 94th Congress, First Session, January 31, 1975.

Senate Resolution 58

On February 5, 1975, the Senate passed a resolution which directed the Secretary of Agriculture to make a study of the Food Stamp Program and to make legislative recommendations to the Congress in the areas of (1) participation by persons with adequate income; (2) more effective coordination of various Federal programs; (3) tighter accountability controls over coupons; and (4) swifter, surer penalties for program abuses.

As the fiscal year ended, the Department submitted its full report to the Senate which included a study of the current program covering participation costs and relationships to other programs, and the Department's recommendations for changes in the areas of Congressional concern.

PROGRAM CHANGES

- The regulations implementing provisions of P. L. 93-86 and other changes were finalized July 15, 1974. States began implementing these provisions as early as November 1974 with implementation completed, in most instances, by the end of the fiscal year.
- As required by law, the semi-annual adjustment in coupon allotments and eligibility standards was made in January 1, 1975.
- The regulations implementing the new 50 percent funding of State administrative costs were published December 17, 1974 with the increased funding level effective beginning October 1974. Proposed regulations on the efficiency and effectiveness determinations were issued for public comment on March 21, 1975; final regulations were issued after the close of the fiscal year.
- Tax dependency regulations appeared in final form on January 10, 1975, having been offered for public comment prior to the actual enactment of P. L. 93-563. The new provision was implemented as early as March in some States, although many others did not implement the provision until the next school term which began in September.
- On January 22, 1975, USDA amended its regulations to provide for a flat rate of 30 percent of net monthly income to be used in determining purchase requirements, effective March 1975. However, this amendment was rescinded following passage of P. L. 94-4 which suspended until December 30, 1975, increases in the cost of coupons to food stamp recipients.
- On April 11, 1975, the regulations were amended to (1) prohibit retailers from also acting as coupon issuance agents to prevent possible misuse of coupons; (2) redesign the ATP card format so as to minimize abuse of the variable purchase; and (3) require States to notify USDA of any litigation involving food stamp rules in order for FNS to take whatever action deemed appropriate. Failure to notify FNS in a timely manner could result in the State being held liable for any bonus coupons issued pursuant to the court's order.

Quality Control

A viable quality control system is required to be developed and installed in each State (including the District of Columbia, Puerto Rico, Guam, and the Virgin Islands). This was completed during fiscal year 1975; however, Puerto Rico, Guam, and the Virgin Islands do not have a viable system yet due to implementation in the latter part of the fiscal year. Some States are still experiencing difficulty in achieving full implementation, but considerable progress was made in this area during the fiscal year.

In order to improve the quality control system operations by States, revisions were made in the quality control instruction and in the instruction for Regional Office monitoring of State quality control operations. Another major step in improving the quality control system was the development and implementation of an instruction which provided the means for assessing the quality control operation of the 5 Regional Offices during this year.

Subsamples and semiannual reports were submitted by all States and the District of Columbia. (Puerto Rico, Guam, and the Virgin Islands were excluded due to late implementation.) However, efforts are continuing to insure timely submission of accurate reports. An encouraging trend is noted in the data findings from these reports for FY 1975 which reflect a decrease in National quality control error rates as compared to fiscal year 1974.

Regional Office staffs conducted at least one accountability review in all States and the District of Columbia during FY 1975.

The present quality control system will operate in conjunction with the Efficiency and Effectiveness Monitoring System (E&E). The results of the Quality Control Reviews will be used in coordination with State agency and project area level review information to develop complete analysis of the State operation of the Food Stamp Program. At the close of fiscal year 1975, consistent with proposed Food Stamp Regulations, a draft Handbook and related forms were developed for implementation of a Performance Reporting System in fiscal year 1976. This system is designed to reflect the efficiency and effectiveness of Food Stamp Program operation by States, as required by P. L. 93-347.

Variable Purchase

The Food Stamp Act, as amended in January 1971, mandated States to implement Variable Purchase. This provision gave a household the opportunity to purchase less than their full monthly allotment. Subsequently, in August 1973, P. L. 93-86 required all States to permit households to purchase coupons at least two times a month. All States have now implemented both Variable Purchase and semi-monthly issuance. Because there has been manipulation of the Variable Purchase option on the Authorization to Purchase card by issuance agents and because the intent of variable purchase is met by the August 1973 amendment to the Act requiring semi-monthly issuance, the Department has recommended in its response to Senate Resolution No. 58 that the Variable Purchase option be deleted from the legislation.

Public Assistance Withholding

The Food Stamp Act, as amended in January 1971, required State agencies to implement Public Assistance Withholding (PAW) in all project areas. This gave a household the opportunity to have the cost of food stamps deducted automatically from their grant and have the food stamps mailed to them. P. L. 93-603 (86 Stat 1329) approved October 30, 1972, revoked the legislative authority for the mandatory requirement imposed on State agencies. The regu-

lations were amended to make this provision optional with the States. In August 1973, P. L. 93-86 again made PAW mandatory. A number of States objected to this mandatory requirement. Because the Department believed the States had raised valid objections, implementation of PAW was extended until July 1, 1975. By that date, 24 States had fully implemented PAW and 9 States had PAW in some areas. Because problems continue in the States, the Department has prepared regulations extending the implementation until January 1, 1976. While PAW has been successful in some States, it has created administrative complexities and substantial costs in others. Therefore, the Department recommended in its response to Senate Resolution No. 58 that PAW be made optional with the States.

Work Registration

As a condition of program eligibility, able-bodied adults between the ages of eighteen and sixty five, with certain exceptions, are required to register for and accept suitable employment. Reports of work registration activity from July 1974 through June 1975 received from 52 States indicate that over 2.5 million persons were registered for employment during this period of time. Monthly food stamp benefits were reduced or terminated for 105,642 households amounting to a total bonus coupon value of over \$8.1 million. Of these amounts, acceptance of employment resulted in a reduction of benefits for 18,841 households with a bonus coupon value of over \$888,103 and a termination of benefits for 26,931 households with a total bonus value of over \$2.2 million. Failure to comply with the work registration requirements resulted in a termination of benefits for 59,870 households equal to a total bonus coupon value of over \$5.0 million. Attachment 3 summarizes the work registration activity for FY 1975.

Program Outreach

State food stamp outreach activities were greatly expanded as a result of court action in the Bennett v. Butz suit in Minnesota. In a Stipulation and Order signed by Judge Miles Lord of the U. S. District Court at Minneapolis, each State is required to implement a Statewide food stamp outreach program no later than August 1, 1975 in accordance with revised Departmental Regulations and Instructions. Included in such plans must be the employment of a full-time outreach coordinator and monthly outreach reports from each project area which must include detailed statistical data. The Court further mandated deadlines for the submission of new State plans (July 1) and implementation of those plans (August 1). All State agencies met the July 1 deadline by submitting their plans to the Department which now must review them for adequacy.

Further, each State agency will be required to submit a semi-annual outreach report to the Department along with an updated action plan.

Non--Legislative Regulation Changes

As the fiscal year ended, the Department was working on the following changes to food stamp regulations: (1) clarifying the acceptability of union jobs as suitable employment for food stamp work registration registrants; (2) providing procedures for the restoration of benefits to households whose coupon allotments have been wrongfully delayed, denied, or terminated; (3) providing State Governors with 45 days in which to comment on State plans of Operations and amendments thereto prior to their submission to FNS; and (4) extending until January 1, 1976 the required implementation of the public assistance withholding option.

COURT SUITS

During Fiscal Year 1975, the Department of Agriculture was involved in court suits which challenged various aspects of Food Stamp Program operations.

The most significant of these was the lawsuit, Rodway v. U. S. Department of Agriculture. On June 12, 1975, the United States Appeals Court for the District of Columbia Circuit, in its opinion in this case, ruled that the Department of Agriculture failed to comply with the requirements of the Administrative Procedure Act in promulgating the allotment regulations and required new rulemaking proceedings to be undertaken and completed within 120 days of the date of the decision. The Court also pointed out that a system of establishing coupon allotments would be sustained only if the Secretary can show that the system delivers coupons to substantially all recipients in amounts sufficient to allow them to purchase nutritionally adequate diets, and that nutritional adequacy is plainly a factual question within the expertise of the Secretary of Agriculture. At the close of the fiscal year, the Department was considering various alternatives to comply with this Court Order.

Three court suits questioned the Food Stamp Program's policy on income and resources. In a California suit, Sandra Jeney Check v. Butz, et al, the plaintiff argued that her educational grant should be excluded as income for food stamp purposes. The court ruled in favor of the Department in stating that educational grants must be computed as income when determining how much a person pays for food stamps. In Tennessee, Patrick v. USDA, the plaintiffs sought to enjoin USDA from counting as income individual rent subsidy payments made on their behalf by HUD. They contended that counting these payments was unfair because tenants of public housing are not charged with any income. The court concluded that, in light of the difficulty, if not the impossibility, of calculating the monetary value of the benefits received by tenants in public housing, our different treatment of the benefits received from the two housing programs was not a denial of equal protection to the plaintiffs. In Alaska, Hamilton and her Class v. Butz, Shipp and McGinnis, the plaintiff argued that the Alaska Native Claims Settlement Act states that nothing under the Act shall be used to diminish the rights or privileges of Alaskans as Alaska Natives and U. S. citizens. The plaintiff stated that counting benefits for food stamp purposes violated the Settlement Act. The plaintiff further felt that payments received under the Settlement Act are no gain or benefit. They are received in exchange for extinguishment of aboriginal land claims. Payments should not, therefore, be counted as income or resources for food stamp purposes. The District Court for Alaska issued an order prohibiting USDA from counting the payments as income but allowed USDA to continue to consider them as resources. The Court of Appeals reversed the District Court's ruling on the issue of resources. The order directed the District Court to prescribe means for restoring lost benefits to Natives who have been denied eligibility because their settlement payments were considered resources.

In Knowles, Smith, et al v. Butz, Swaan, et al, plaintiffs in California argued that they were denied food stamps or granted food stamps with a reduced bonus value due to their being improperly consolidated into single food stamp "households." Also, the plaintiffs argued that the Department failed to implement a previous court ruling that a group of individuals is not a household just because they are an economic unit; they must also be sharing common cooking facilities and purchasing food in common. The U. S. District Court ordered the Department to amend the Regulations to provide acceptable language for redefining "economic unit" and "household." The Department submitted its proposed redefinitions of these terms to the Court. The Court on June 3, 1975, approved the redefining of the language of the Regulations.

Several court suits were concerned with the administration of the Food Stamp Program. In Madden et al v. Oklahoma Public Welfare Commission of Beaver County, the plaintiffs argued that Beaver County's failure to implement the program is in

violation of the Food Stamp Act, as amended. The U. S. District Court agreed with the plaintiffs and mandated that the State take appropriate action to make the county implement the program. In Tyson, et al v Norton, et al the suit involved the State of Connecticut's failure to comply with certain portions of the Food Stamp Act and Regulations including outreach, prompt action, credits for lost benefits and variable purchase. The District Court ruled in favor of the plaintiffs on the majority of issues raised and directed Connecticut to move into compliance with program directives. In Massachusetts, Basinow, et al v. Hooker, et al there was concern with the processing of food stamp applications within 30 days of receipt. The court ordered the State agency to comply with USDA regulations requiring that food stamp applications be processed within a 30-day period. In another Massachusetts court suit, Rowen, et al v. Provencher, et al plaintiffs expressed concern with payment of retroactive benefits to eligible households who are receiving food stamps at no cost. The court ordered USDA and the State of Massachusetts to provide zero purchase households, who were eligible for retroactive benefits, with 150 percent of their regular coupon allotment until their lost benefits have been restored.

Outreach programs in many States were also the subject of litigation in fiscal year 1975. A series of court suits were filed against several States and the U. S. Department of Agriculture for allegedly implementing an ineffective outreach program.

The States included: Colorado, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, New York, North Carolina, Ohio, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington and West Virginia. On April 7, 1975, Judge Miles Lord of the U. S. District Court in Minneapolis, Minnesota, issued a Stipulation and Order in the Bennett v. Butz suit mandating revised Department regulations and instructions. The Order further required that each State agency submit a new State Outreach Plan in conformance with the revised regulations and instructions by July 1 for implementation no later than August 1. Because of this Court action, the remaining suits are being held in abeyance until it can be determined whether or not those States in which litigation is pending are, in fact, in compliance with Department regulations and instructions.

RETAILER-WHOLESALE ACTIVITIES

At the end of fiscal year 1975, there were approximately 249,000 firms authorized to accept food coupons, an increase of about 48,000 over last year. The large increase was due to the completion of nationwide implementation of the Food Stamp Program, including Puerto Rico, Guam, and the Virgin Islands. Puerto Rico itself accounted for an increase of approximately 17,000 authorized firms. Food and Nutrition Service field personnel are continuing their efforts to promote compliance among firms authorized to accept food coupons.

Educational store visits are made to all authorized firms each year. A firm receives a minimum of one visit per year if its redemptions average \$400 per month or less. Stores redeeming more than \$400 per month receive at least two visits per year. Approximately half of the authorized firms are in the one-visit-per-year category. During these visits FNS personnel review the regulations with the retailers and their employees, search for areas of misunderstanding, and emphasize the importance of strict compliance. During this fiscal year, 387,167 educational store visits were made.

Any indications of noncompliance with the program regulations on the part of authorized firms are followed up by FNS field personnel. The basic indicators of noncompliance are excessive redemptions and rumors and complaints of violations. After determining that redemptions of a firm are excessive or upon receipt of a rumor or a complaint of violations at a store, FNS personnel must make a special compliance visit to the firm to alert the retailer to the possibility of violations and caution the retailer against violations. The visit is documented in a letter

summarizing the discussion during the visit. During the fiscal year, 49,429 compliance visits were made (making a total of 436,596 store visits for the fiscal year).

If FNS personnel feel that the compliance effort with a particular firm did not have the desired effect, they request that an investigation of the firm be made. The investigation is conducted by the Office of Investigation. If the investigation uncovers violations, the firm may be disqualified. During this fiscal year, 684 firms were disqualified on the basis of evidence obtained through investigations. In addition, 62 firms were disqualified because their food stamp redemptions exceeded their food sales over a period of time making a total of 746 disqualifications during fiscal year 1975. Attachment 4 shows a breakdown of compliance activity for fiscal year 1975.

During the fiscal year there were 147 successful criminal prosecutions under the Food Stamp Act of 1964. Sentences included fines up to \$3,000, periods of probation up to 8 years, and three short-term jail sentences.

Redemption Certificate Automation Program

The analysis of redemptions through the use of this automated system continues to be an essential tool for monitoring the participation of retailers in the Food Stamp Program and for indicating potential compliance problems. A large majority of the compliance actions taken by the field personnel is initiated on the basis of the redemptions information provided by this automated program

During the last quarter of FY 1975, an average of 1.9 million redemption certificates having an average total value of \$0.7 million per month were processed for authorized retailers. This is a significant increase over the last quarter of FY 1974 when 1.3 million redemption certificates per month with an average total value of \$0.4 million were processed.

Meal Services

The program providing for the use of food coupons to pay for meals delivered to certain elderly handicapped persons by nonprofit meal delivery services (Meals on Wheels) has continued to grow. By the end of the fiscal year, 1,748 nonprofit meal delivery services were authorized to participate in the Food Stamp Program. This is an increase of 513 over last year.

During fiscal year 1975, guidelines were completed for the authorization of two additional categories of meal services made eligible for participation as authorized retailers by P. L. 93-86. The first category is communal dining facilities for the elderly, which include public and private nonprofit organizations and certain private establishments under State or local agency contract to provide meals to elderly persons at concessional prices. At the end of fiscal year 1975, there were 3,224 communal dining facilities authorized. The second category is private nonprofit drug addiction or alcoholic treatment and rehabilitation programs. At the end of fiscal year 1975, there were 625 rehabilitation programs authorized.

Compliance Promotion

Promoting voluntary compliance by authorized firms with program regulations continues to be an important part of program activity. Contacts with retailers through store cashier training sessions, as well as contacts with local and State regulatory agencies and the news media are helping to promote overall voluntary compliance with FNS regulations.

In addition, contacts with retail and wholesale trade associations have been expanded. Each Regional Office has a new portable exhibit for use by FNS Regional and field personnel at State and local retailer conventions and meetings. Additionally, FNS personnel staffed exhibits at several large exhibiting conventions including Super Market Institute, National-American Wholesale Grocers' Association, Food Service and Equipment Exposition of Puerto Rico and the Caribbean, and several State conventions.

CIVIL RIGHTS .

In keeping with our primary responsibility for prompt and vigorous enforcement of Title VI, efforts were increased during this fiscal year to improve the quality and extent of our compliance activities. Intensive training of regional and field office personnel has been undertaken to assist in fulfilling the intent of the Civil Rights Act and in carrying out Departmental policy. Procedural instructions have been issued, aimed at establishing a uniform system of conducting compliance reviews and assessing the reports of findings. In addition, continuous efforts to promote interagency cooperation in this area have been undertaken. Attachment 5 summarizes the civil rights compliance activities for FY 1975.

SECURITY OF CASH AND COUPONS

During this fiscal year losses of cash and coupons from local issuing offices amounted to approximately \$697,000. This loss represents a very small fraction--less than one percent--of the total cash collected and coupons issued throughout the country. Problems with counterfeiting continue but are minimal. The new coupons, which entered the program March 1, are more sophisticated in design and will make counterfeiting very difficult.

AUDITS AND INVESTIGATIONS

During fiscal year 1975, FNS continued to closely monitor program operations at the State and local level through reports of the Office of Audit and Office of Investigation. Almost 600 audits were processed by FNS during fiscal year 1975, and about 70 recipient investigations were received. Program operations in general are evaluated through the audit report while specific instances of suspected program abuse are covered by the investigations. See Attachment 8 for for prosecutions during FY 1975.

EFFICIENCIES OF OPERATION

Post Office Contract

The U.S. Postal Service and the Department signed a Memorandum of Understanding on April 4, 1973, which established a uniform national basis for the sale of food coupons by post offices. Concurrent with the signing of the Memorandum of Understanding, the Postal Service developed a Standard Food Stamp Sales Agreement, with a uniformly applied fee of 80 cents per transaction for use as its issuance contract with State agencies.

Since the signing of the Memorandum of Understanding, State agencies have expressed their dissatisfaction with certain of its terms. The most important issue to the States has been the limited liability assumed by the Postal Service for coupon inventories and cash receipts from coupon sales. Other points of contention have included State access to Postal Service audits and investigations of its issuance facilities, the possibility of extended services for increased fees, and the effect of Departmental instructions on postal issuance operations. Because of States' concern with these issues, the Postal Service and this Department agreed to renegotiate the Memorandum of Understanding and the Standard Food Stamp Sales Agreement.

Most of the important issues have been resolved through our renegotiations. Some significant items which have been agreed to by the Postal Service are as follows: (1) acceptance of total liability for coupon inventories and cash receipts from coupon sales; (2) agreement to furnish this Department the details of all significant audit and investigation findings for transmittal to State agencies; (3) the promise of some flexibility in negotiating with States at the Postal Service Regional level on Saturday operations in a limited number of post offices; and (4) agreement to consult with this Department on operating guidelines and policies that will affect food stamp issuance procedures prior to issuing them to Regional Postmasters General. This Department will similarly consult with the U. S. Postal Service regarding potential changes in our issuance instructions which will impact on their operations.

The major unresolved issue is the monthly depositing deviation granted the U. S. Postal Service under the terms of the current Memorandum of Understanding. The Treasury Department has objected to this monthly depositing procedure and has directed the Postal Service to develop a suitable arrangement for transferring food stamp cash receipts to the Food and Nutrition Service's account in a more timely manner. Finalizing the new agreement is contingent upon the Postal Service developing a depositing procedure acceptable to the Treasury Department. We are hopeful that the Postal Service can work this out quickly and the new Memorandum of Understanding can be finalized early in fiscal year 1976.

Financial Management

On July 12, 1974, Congress passed P. L. 93-347 which changed the basis for food stamp program funding and the procedures by which funds are made available to State agencies. Regulations implementing the new legislation were published on December 17, 1974. FNS funding was made available effective October 1, 1974, the beginning of the first full quarter after passage of the legislation. A Handbook for State agencies is in draft form and will be distributed shortly to the regional offices for comment.

P.L. 93-347 authorized FNS to pay 50 percent of the State agencies administrative costs. Formerly, the agency had been authorized to pay 62-1/2 percent of certain State agency costs. The result has been a substantial increase in funds available to the States for operation of the program.

These changes allowed FNS to utilize the provisions of the Federal Management Circulars which were promulgated pursuant to the Intergovernmental Cooperation Act and thus allow a much larger standardization of practices and a greater measure of centralization of responsibility at State agency level.

Payments to the State agencies are now made through the Letter of Credit system. Rather than claiming eligible costs from FNS after the fact, a letter of credit is established for each State after submission and Division approval of a budget. The letter of credit allows State agencies to draw down funds from their account as they are needed and in those amounts which are necessary to meet costs of program administration.

Overview and control of the use of program funds in State agency administration is accomplished through our requirements that States establish comprehensive financial management systems and audit them on a regular basis to assure continuing integrity. Their procedures must include measures for effective corrective action in the event that deficiencies are discovered.

Distribution of funds to the Food Stamp Program and to all other programs which are administered by the State agencies is accomplished through comprehensive

cost allocation plans which are mandated by the Federal Management Circulars. Other internal practices control use of and disposition of property which was acquired through use of Federal funds.

Full-time financial management units have been established at both the Federal level and in the FNS Regional Offices which are responsible for continuing review of State systems and for analysis of data acquired through reporting processes. We anticipate that these strict controls will result in substantial savings to the government. Attachment 9 details FY 1975 State administrative costs by State.

Automatic Coupon Ordering Program

During 1973, we initiated work on a pilot program to automate armored car shipments of food coupons from their manufacturer to 62 project storage locations. These 62 locations were divided into six armored car routes which received coupons automatically on a monthly basis. Delivery began in August 1973. At the end of fiscal year 1974, the program had been expanded to 117 receiving points and divided into ten armored car routes. Most receiving points for the program are located in the Midwest and Southeast Regions. With the introduction of the new food coupons in March 1975 we were forced to temporarily suspend the automatic coupon ordering program. When inventory levels begin to stabilize once again we will reinstitute and expand the program to all major coupon receiving points in the continental United States. By using armored car services rather than sending the coupons through the mails, an annual savings of approximately \$4 million is realized by the Food and Nutrition Service.

Counterfeiting

Problems with counterfeiting, while still in existence, continue to be minimal. Secret Service has informed us that counterfeit coupons found in circulation are less than one percent of the total value of coupons redeemed.

Food Stamp Accountability System

The Food Stamp Accountability system became operational in fiscal year 1973. This system provides data on program participation, cash reconciliation with the Treasury Department and with activity reported by the State agencies, and data on coupons shipped by the American Bank Note Company and received and issued by State agencies. This year a Food Stamp Accountability Project Manager was appointed to coordinate the efforts of the Finance and Program Accounting Division, the Automated Data Processing Division and the Food Stamp Division to improve the accountability system. Data entry was decentralized to the Regional Offices by use of intelligent terminals and extensive reprogramming and redesigning of forms was done to accommodate the new series of food stamps implemented in March. The major objectives for the Food Stamp Accountability system for fiscal year 1976 include improving and refining the Cash Reporting and Reconciliation System, issuing a comprehensive Food Stamp Accountability and Issuance Manual and performing an overall study of the current requirements of accountability and how effectively the present system meets these needs.

PROGRAM PLANS

As the fiscal year ended, the Department was considering proposed legislation for consideration of the Congress which include the following:

- Reduce costs by more than \$1.2 billion per year;
- Limit eligibility to those whose gross income less the standard deduction is below the poverty level (\$5,050 for a family of four).

- Make the program more realistic by measuring actual income over the preceding 90 days for purposes of eligibility determinations, rather than estimating future income, and requiring recipients to report their financial status on a monthly basis;
- Increase benefits only for those at the very lowest income level;
- Eliminate legal abuses and cut the cost of administration by replacing current variable and complex deductions with a standard deduction of \$100 a month;
- Set a standard deduction of \$125 a month for households with elderly members;
- Establish a minimum age for qualification as a separate household;
- Require able-bodied recipients to seek, accept and retain gainful employment;
- Eliminate categorical eligibility for recipients of public assistance; and
- Require any family which receives food stamps to spend 30 percent of household income for the stamps.

ATTACHMENT 1

FOOD STAMP PROGRAM
FY 1975 PARTICIPATION BY MONTH

	<u>Total Number</u>	<u>Public Assistance</u>	<u>Non-Public Assistance</u>
<u>1974</u>			
July -----	13,955,948	7,497,569	6,458,379
August -----	14,322,545	7,572,586	6,749,959
September -----	14,522,040	7,622,273	6,899,767
October -----	15,233,226	7,822,964	7,410,262
November -----	15,930,631	8,017,668	7,912,963
December -----	17,254,117	8,038,377	9,215,740
<u>1975</u>			
January -----	17,956,639	8,287,552	9,669,087
February -----	18,726,803	8,471,000	10,255,803
March -----	19,384,818	8,558,788	10,826,030
April -----	19,511,089	8,609,645	10,901,444
May -----	19,491,717	8,637,248	10,854,469
June -----	19,238,453	8,574,380	10,664,073
Total/Average -----	17,127,336	8,142,504	8,984,832

EMERGENCY FOOD STAMP ASSISTANCE IN RECENT DISASTERS

FISCAL YEAR 1975

<u>STATE</u>	<u>HOUSEHOLDS</u>	<u>PERSONS</u>	<u>FREE COUPONS</u>
Alaska	593	3,069	133,908
Florida	339	1,222	46,360
Kentucky	194	582	22,919
Mississippi	1,784	6,239	234,115
Nebraska	2,170	7,879	271,068
Tennessee	3,339	11,319	433,602
TOTAL	8,419	30,310	1,141,972

FOOD STAMP PROGRAM
JULY 1974 THROUGH JUNE 1975
SUMMARY OF WORK REGISTRATION ACTIVITY

PRELIMINARY REPORT
COMULATIVE JULY 1974 THROUGH
JUNE 1975

-----Monthly Benefits Reduced and Terminated-----									
STATES REPORTING	NUMBER PERSONS REGISTERED	-----Accepted Employment-----		-----Failure to Comply-----		-----Grand Total-----			
		-----Reduced-----		-----Terminated-----		-----Terminated-----			
		NUMBER HOUSEHOLDS	AMOUNT	NUMBER HOUSEHOLDS	AMOUNT	NUMBER HOUSEHOLDS	AMOUNT		
ALABAMA	64,112	191	\$ 10,448	125	\$ 11,520	577	\$ 58,962	893	\$ 80,930
ALASKA	14,721	4	103	14	2,272	9	1,104	27	3,479
ARIZONA	55,192	314	18,906	167	15,112	313	40,745	794	74,763
ARKANSAS	40,706	121	5,630	31	2,721	634	66,534	786	74,885
CALIFORNIA	201,901	1,150	35,177	2,170	168,674	5,167	314,211	8,487	518,062
COLORADO	52,438	430	29,853	319	26,310	7,807	741,755	8,556	797,918
CONNECTICUT	15,299	588	23,090	999	46,953	1,152	49,948	2,739	119,991
DELAWARE	923	21	838	15	1,960	25	3,162	61	5,960
DISTRICT OF COLUMBIA	7,746	61	3,568	202	17,329	611	46,332	874	67,229
FLORIDA	148,088	144	9,746	440	38,791	7,025	642,632	7,609	691,169
GEORGIA	73,310	332	13,173	123	10,832	1,163	118,900	1,618	142,905
GUAM	510	6	594	0	0	0	0	6	594
HAWAII	6,612	320	12,153	79	5,099	139	6,997	538	24,249
IDAHO	14,822	4	139	13	852	129	10,702	146	11,693
ILLINOIS	66,932	180	5,629	568	46,739	809	57,074	1,557	109,442
INDIANA	47,992	483	27,144	465	41,597	924	79,169	1,872	147,910
IOWA	23,503	364	21,015	952	86,066	230	21,758	1,546	128,836
KANSAS	6,960	266	9,673	357	24,942	549	35,515	1,172	70,130
KENTUCKY	107,744	349	21,658	262	26,859	2,182	225,454	2,793	273,971
LOUISIANA	54,689	164	7,780	69	5,162	413	39,277	646	52,219
MAINE	19,876	357	\$20,422	424	\$37,482	470	\$43,332	1,251	\$101,280
MARYLAND	20,277	202	9,243	431	38,749	758	58,959	1,391	106,951
MICHIGAN	78,553	270	16,324	1,190	88,218	369	22,843	1,829	127,385
MINNESOTA	34,398	473	19,432	1,181	101,402	175	14,204	1,829	135,038
MISSISSIPPI	55,273	597	33,056	496	53,885	2,518	280,956	3,611	367,897
MISSOURI	59,141	2,205	113,772	185	14,776	322	24,606	2,712	153,154
MONTANA	16,481	165	5,905	185	11,149	36	4,200	386	21,254
NEBRASKA	9,014	96	4,514	407	25,739	1,446	55,722	1,949	85,975
NEVADA	18,900	6	397	20	1,847	94	7,337	120	9,581
NEW HAMPSHIRE	9,991	621	34,955	348	31,969	219	16,272	1,188	83,190
NEW JERSEY	42,519	557	30,144	2,097	196,808	2,897	207,407	5,551	434,359
NEW MEXICO	55,885	113	5,673	286	21,755	282	29,878	681	57,306
NEW YORK	65,821	1,706	57,052	1,736	120,121	4,218	193,620	7,660	370,791
NORTH CAROLINA	89,915	468	20,239	172	15,987	1,424	144,459	2,064	180,681
NORTH DAKOTA	2,783	50	2,305	44	3,866	18	1,864	112	8,035
OHIO	164,866	761	40,953	3,563	302,472	1,652	132,308	5,976	475,733
OKLAHOMA	24,043	153	5,761	249	14,736	49	4,778	451	25,271
OREGON	113,632	235	8,374	296	18,763	279	17,580	810	44,711
PENNSYLVANIA	74,124	721	31,680	1,831	148,412	953	68,189	3,505	248,281
RHODE ISLAND	3,694	6	198	117	13,655	406	26,120	529	39,973

ATTACHMENT 3a

PRELIMINARY REPORT
CUMULATIVE JULY 1974 THROUGH
JUNE 1975

-----Monthly Benefits Reduced and Terminated-----									
-----Accepted Employment-----					-----Failure to Comply-----				
STATES REPORTING	-----Reduced-----		-----Terminated-----		-----Terminated-----		-----Grand Total-----		
	NUMBER PERSONS REGISTERED	NUMBER HOUSEHOLDS	AMOUNT	NUMBER HOUSEHOLDS	AMOUNT	NUMBER HOUSEHOLDS	AMOUNT	NUMBER HOUSEHOLDS	AMOUNT
SOUTH CAROLINA	66,261	667	\$33,389	470	\$46,736	903	\$100,837	2,040	\$180,962
SOUTH DAKOTA	8,625	231	13,066	294	21,930	467	39,713	992	74,709
TENNESSEE	101,661	403	21,667	259	26,411	3,344	339,751	4,006	387,829
TEXAS	170,573	516	33,337	260	25,867	2,296	257,620	3,072	316,524
UTAH	6,172	44	1,510	325	22,367	497	32,136	866	56,013
VERMONT	6,420	646	17,248	452	24,632	246	8,834	1,344	50,714
VIRGINIA	45,306	380	16,699	258	23,861	444	46,818	1,082	87,378
VIRGIN ISLANDS	2,209	0	0	0	0	0	0	0	0
WASHINGTON	114,920	9	249	79	6,946	20	1,162	108	8,357
WEST VIRGINIA	61,236	20	1,169	307	35,529	2,100	246,748	2,427	283,446
WISCONSIN	24,796	671	33,053	1,599	140,281	1,109	88,169	3,379	261,503
WYOMING	4,254	0	0	0	0	1	178	1	178
TOTAL (52)	2,575,819	18,841	\$ 888,103	26,931	\$ 2,216,141	59,870	\$5,076,881	105,642	\$ 8,181,125

FOOD STAMP PROGRAM

ATTACHMENT 4

RETAILER-WHOLESALE ACTIVITY

Fiscal Year
1975

1. Food Concerns:

Retail.....	239,236
Wholesale.....	3,985
Nonprofit Meal Delivery Services.....	1,748
Communal Dining Facilities for Elderly.....	3,224
Drug and Alcohol Treatment Programs.....	625
Total.....	248,818

2. Compliance Activities

a. Supervisory Visits.....	436,596
b. Special Compliance Reports.....	28,501
(1) Confirming Letters.....	14,815
(2) OI investigations requested.....	4,065
c. Action on OI Investigative Reports:	
(1) OI reports pending action from prior years.....	761
(2) OI reports received.....	2,834
(3) Negative closings.....	1,382
(4) Actions less than disqualification.....	730
(5) Disqualifications.....	746 ^{1/}
(a) Administrative reviews.....	
Pending from prior year	66
Requested.....	319
Sustained or lowered.....	288
Withdrawn.....	8
Pending at end of year.....	89
(b) Judicial reviews.....	
Pending from prior year.....	64
Requested.....	37
Lowered.....	6
Dismissed.....	15
Sustained.....	28
Pending at end of year.....	52
(6) OI reports pending action at end of year.....	799
(7) Referred to Department of Justice.....	666

^{1/} Included are 62 disqualifications based on redemptions exceeding food sales. These did not involve OI investigations.

CIVIL RIGHTS COMPLIANCE ACTIVITIES

<u>Activity</u>	<u>FY75</u>
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Civil Rights Activities:

a. Complaints received

(1) During the fiscal year	23
(2) Held pending from previous year	37
(3) Total on hand at beginning of fiscal year	60

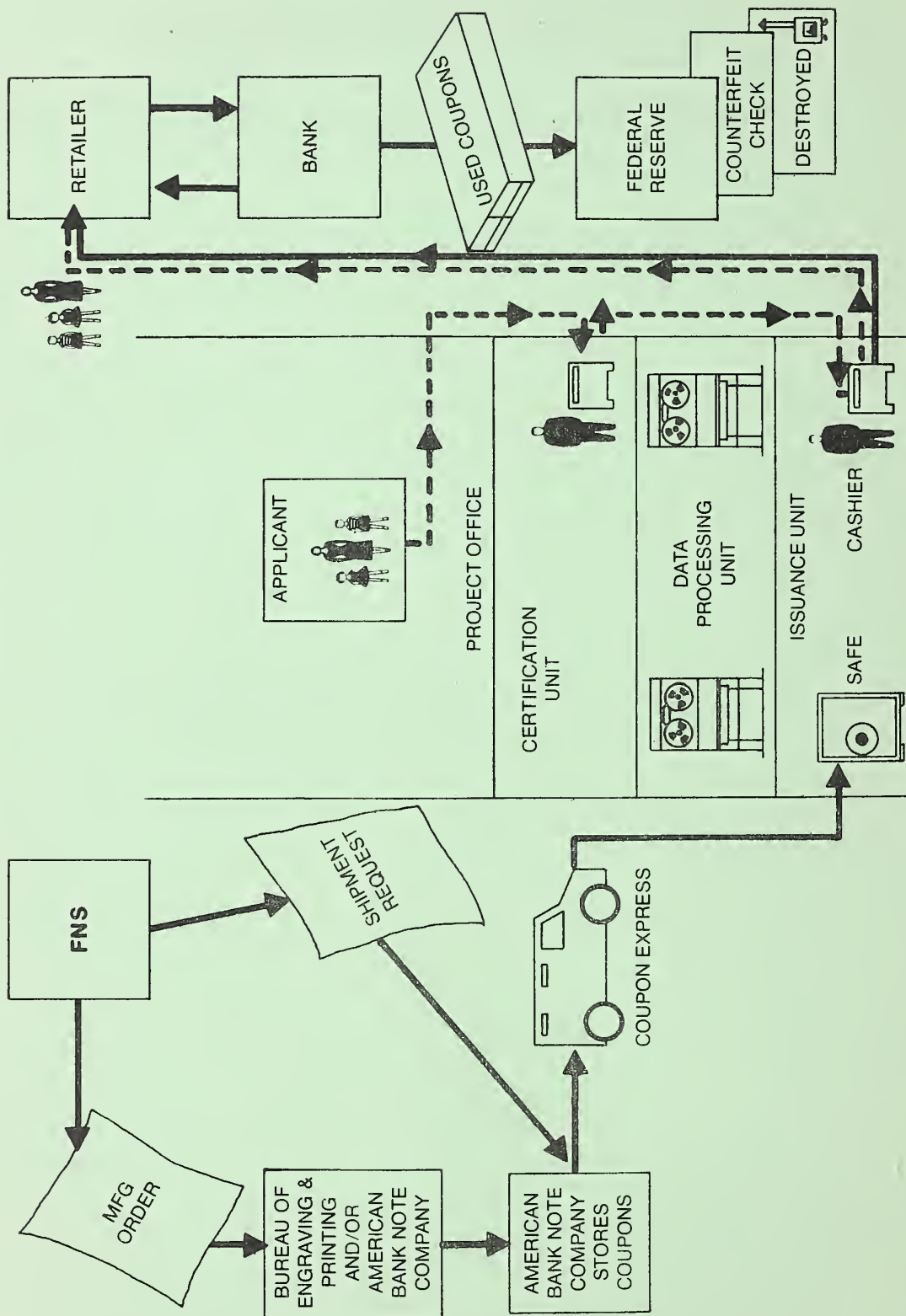
b. Complaints investigated

(1) By OI	5
(2) By FNS	39

c. Disposition of complaints at close of fiscal year

(1) Awaiting OI decision	16
(2) Complaints closed	28
(3) Complaints referred for other action	3
(4) Evaluating results of investigation and/or preparing closing correspondence	13

Typical Life of a Food Stamp



ISSUANCE OUTLETS

The following listing shows, by State and type, the number of food stamp issuance outlets nationwide.

State	: Govern- : ment : Issuance:	: Bank : Issuance	: Post : Office : Issuance	: Other	: Total : for : State
NEW ENGLAND					
Connecticut	---	311	---	---	311
Maine	106	73	---	11	190
Massachusetts	1	52	104	---	157
New Hampshire	16	68	---	---	84
Rhode Island	---	164	---	5	169
Vermont	131	---	---	---	131
MID-ATLANTIC					
Delaware	---	102	---	---	102
District of Columbia	1	39	---	14	54
Maryland	49	26	---	7	82
New Jersey	---	677	---	---	677
New York	8	2,150	---	---	2,158
Pennsylvania	---	1,493	---	---	1,493
Puerto Rico	92	---	---	---	92
Virginia	57	186	---	5	248
Virgin Islands	1	---	---	1	2
West Virginia	49	44	---	---	93
SOUTHEAST					
Alabama	136	1	---	5	142
Florida	93	1	---	9	103
Georgia	130	134	59	4	327
Kentucky	2	15	160	---	177
Mississippi	181	---	---	2	183
North Carolina	61	126	189	2	378
South Carolina	87	5	31	31	154
Tennessee	157	3	---	2	162
MIDWEST					
Illinois	73	22	---	451	546
Indiana	129	7	---	---	136
Iowa	260	6	---	---	266
Kansas	1 (mail issuance)				1
Michigan	183	106	128	12	429
Minnesota	241	126	---	8	375
Missouri	3	558	---	3	564
Nebraska	209	23	---	10	242
Ohio	43	416	---	11	470
Wisconsin	193	8	---	---	201

State	: Govern- : ment : Issuance:	: Bank : Issuance	: Post : Office : Issuance	: Other	: Total : for : State
WEST-CENTRAL					
Arkansas	215	---	---	---	215
Colorado	110	---	---	---	110
Louisiana	185	---	---	---	185
Montana	49	5	8	2	64
New Mexico	63	---	---	63	126
North Dakota	83	11	---	34	128
Oklahoma	25	---	207	15	247
South Dakota	89	46	---	115	250
Texas	---	---	635	17	652
Utah	9	---	---	---	9
Wyoming	1	23	11	---	35
WESTERN					
Alaska	20	---	4	4	28
Arizona	15	---	12	7	34
California	56	68	142	92	358
Guam	---	1	---	---	1
Hawaii	---	136	---	---	136
Idaho	7	61	10	2	80
Nevada	---	---	40	---	40
Oregon	11	---	165	1	177
Washington	75	19	210	41	345
NATIONAL TOTAL	3,706	7,312	2,115	986	14,119

PROSECUTIONS

In Fiscal Year 1975, there were 633 reported successful prosecutions of persons accused of food stamp fraud in State and local courts. The dollar amount of losses to the program related to fraud committed by these individuals was \$487,550.01.

Successful Prosecutions for Food Stamp Fraud in State and Local Courts

<u>FNS Region</u>	<u>Number of Cases</u>	<u>Dollar Loss</u>
	<u>Fiscal Year 1974</u>	
Northeast	29	\$ 11,878.25
Southeast	238	117,077.50
Midwest	14	9,680.50
West-Central	222	303,485.91
West	<u>18</u>	<u>18,688.00</u>
TOTAL	521	\$460,810.16
	<u>Fiscal Year 1975</u>	
Northeast	12	\$ 4,237.00
Southeast	255	130,466.00
Midwest	40	21,207.25
West-Central	293	324,604.76
West	<u>33</u>	<u>7,035.00</u>
TOTAL	633	\$487,550.01

FY 75 STATE ADMINISTRATIVE COSTS

Arkansas	1,334,625
Alabama	2,988,554
Alaska	517,267
Arizona	2,947,604
California	20,000,000
Colorado	1,686,723
Connecticut	1,883,207
Delaware	350,368
District of Columbia	599,658
Florida	5,756,850
Georgia	3,979,073
Guam	40,380
Hawaii	488,252
Idaho	582,592
Illinois	4,579,178
Indiana	2,417,518
Iowa	880,237
Kansas	1,224,558
Kentucky	4,209,027
Louisiana	5,225,693
Maine	1,806,349
Maryland	2,205,250
Massachusetts	2,392,290
Michigan	7,050,582
Minnesota	1,072,714
Mississippi	1,287,227
Missouri	3,884,430
Montana	358,733
Nebraska	573,531
Nevada	492,441
New Hampshire	1,532,742
New Jersey	3,397,829
New Mexico	1,740,987
New York	7,346,031
North Carolina	3,277,300
North Dakota	204,235
Ohio	6,627,747
Oklahoma	2,844,297
Oregon	2,681,413
Pennsylvania	5,040,658
Puerto Rico	7,118,534
Rhode Island	506,973
South Carolina	4,127,816
South Dakota	196,562
Tennessee	4,684,397
Texas	18,179,306
Utah	475,777
Vermont	203,202

ATTACHMENT 9a

Virginia	2,538,005
Virgin Islands	228,384
Washington	1,396,577
West Virginia	1,250,000
Wisconsin	795,832
Wyoming	103,750

NOTE: These are not final reports. Many States have indicated that further claims will be made for outstanding obligations as the actual amounts due become known.

The amounts listed above are FNS' share of total State administrative costs. These amounts were computed at 62 1/2 percent of certain limited costs for the First Quarter and 50 percent of all administrative costs for the remainder of the Fiscal Year.

CLAIMS AGAINST FOOD STAMP HOUSEHOLDS FOR OVERISSUANCE
OF FOOD COUPONS, FISCAL YEAR 1975

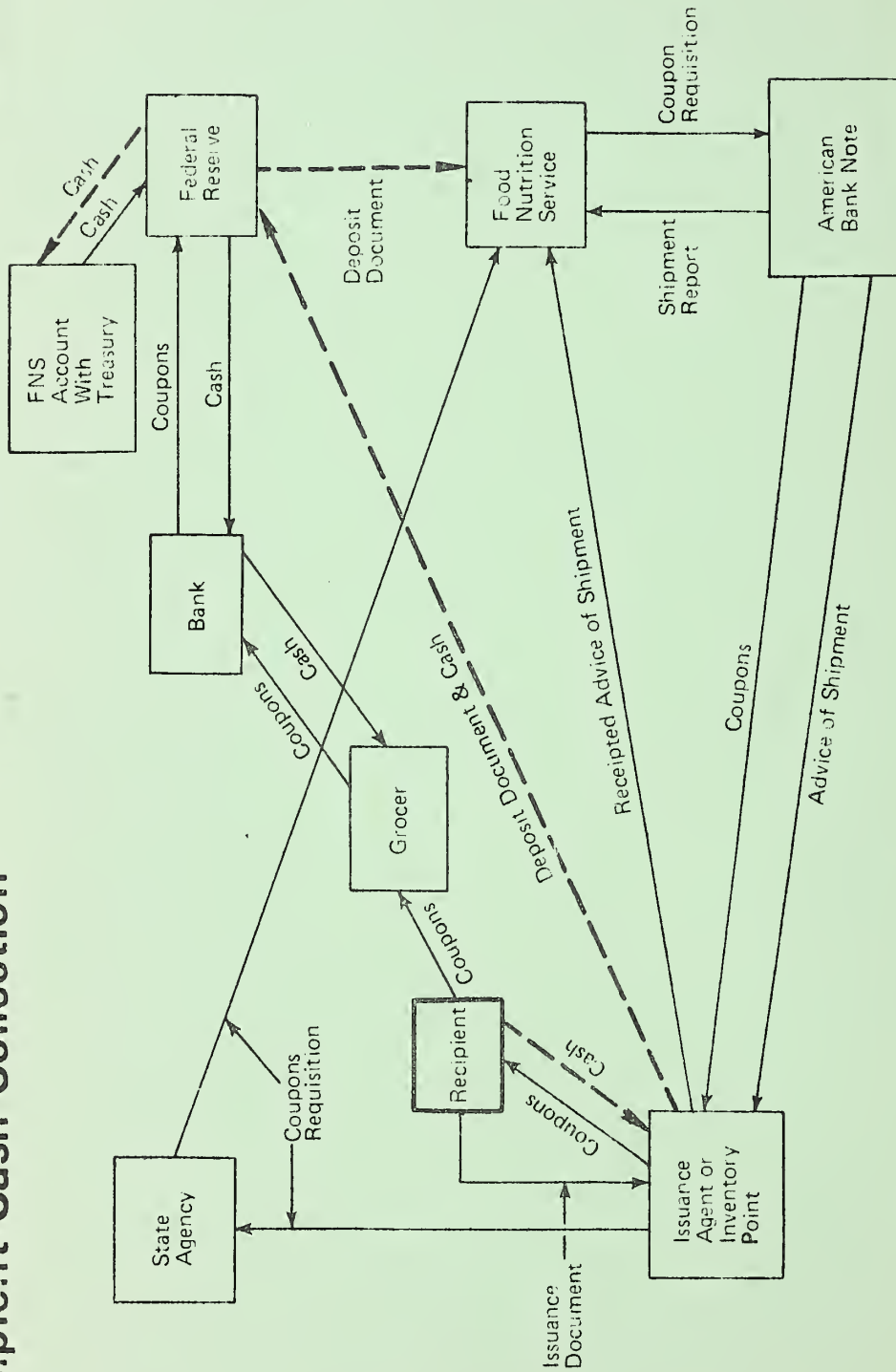
State	Number of claims	Total value of claims
Alabama.....	2395	\$325,939.40
Alaska.....	7	7,196.00
Arizona.....	90	78,900.75
Arkansas.....	97	26,768.75
California.....	2260	426,987.75
Colorado.....	526	106,948.45
Connecticut.....	6	1,034.50
Delaware.....	38	9,272.00
District of Columbia..	---	---
Florida.....	5322	805,429.62
Georgia.....	725	88,044.25
Guam.....	---	---
Hawaii.....	---	---
Idaho.....	14	4,414.75
Illinois.....	370	76,638.00
Indiana.....	1252	147,088.70
Iowa.....	271	31,018.46
Kansas.....	73	7,866.00
Kentucky.....	1599	332,407.20
Louisiana.....	839	317,853.75
Maine.....	26	9,793.00
Maryland.....	452	58,192.90
Massachusetts.....	---	---
Michigan.....	1137	112,774.95
Minnesota.....	122	26,585.75
Mississippi.....	2015	472,482.50
Missouri.....	1052	304,267.75
Montana.....	115	7,059.60
Nebraska.....	466	103,407.50
Nevada.....	7	1,736.00
New Hampshire.....	---	---
New Jersey.....	175	21,061.00
New Mexico.....	938	199,407.50
New York.....	567	185,292.25
North Carolina.....	826	162,875.25
North Dakota.....	88	20,376.75
Ohio.....	782	163,961.75
Oklahoma.....	124	29,788.75
Oregon.....	1026	154,546.35
Pennsylvania.....	1216	115,635.22
Puerto Rico.....	---	---
Rhode Island.....	1	622.50
Samoa, American.....	---	---
South Carolina.....	858	299,765.60
South Dakota.....	53	10,284.50
Tennessee.....	2502	511,428.00
Texas.....	2309	180,596.98
Trust Territory.....	---	---
Utah.....	202	66,030.75
Vermont.....	3	1,973.20
Virginia.....	591	86,932.75
Virgin Islands.....	---	---
Washington.....	308	38,642.50
West Virginia.....	208	98,670.50
Wisconsin.....	276	37,876.75
Wyoming.....	134	20,420.00
Total.....	34,463	\$5,298,033.00

Coupon Supply and Redemption

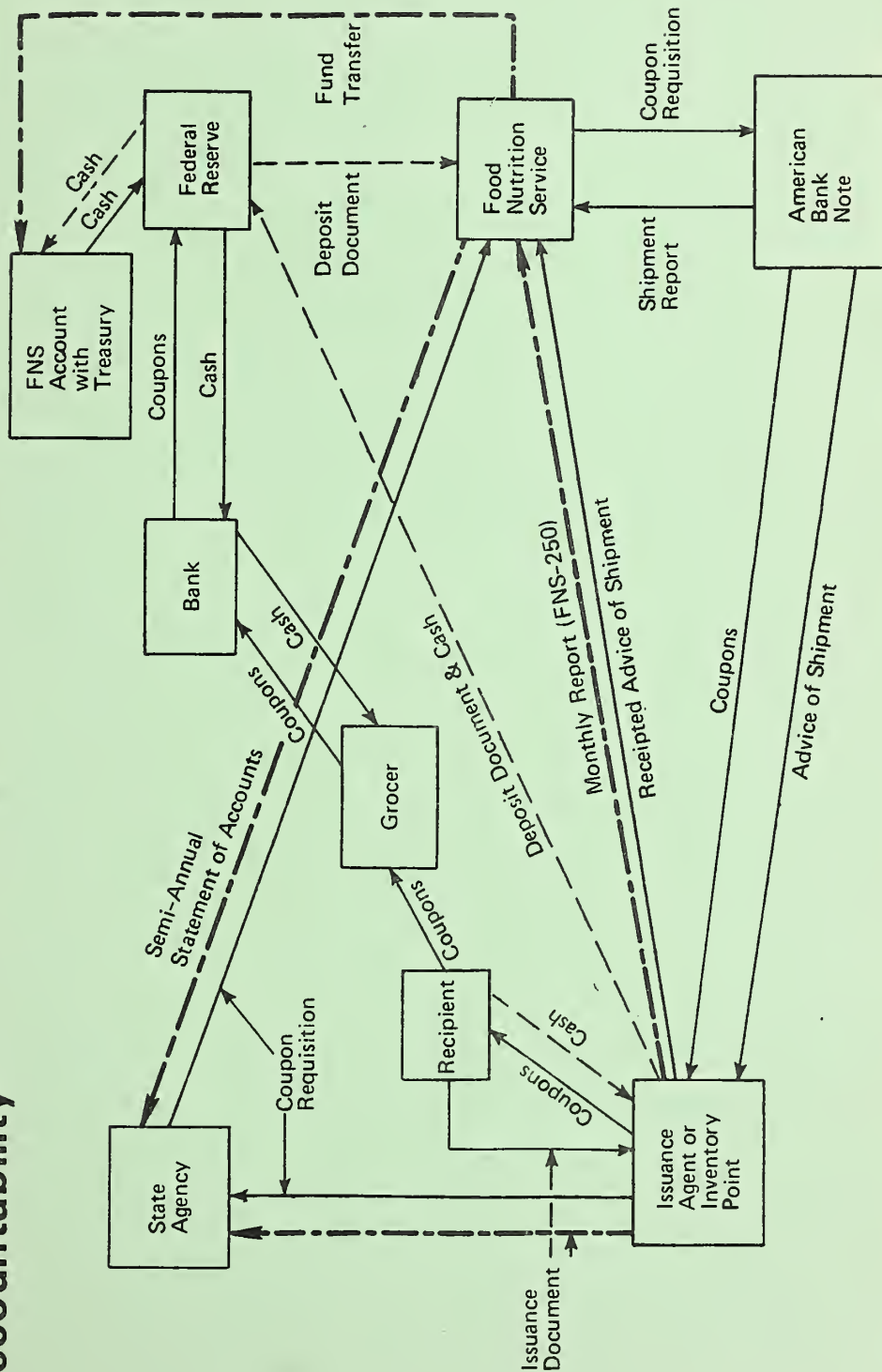
```
graph TD; FNS[FNS Account with Treasury] -- Cash --> FR[Federal Reserve]; FR -- $ --> Bank; Bank -- $ --> Grocer; Bank -- $ --> FNS; State[State Agency] -- Coupon Requisition --> Bank; Grocer -- $ --> Recipient; Recipient -- $ --> Grocer; Recipient -- Issuance Document --> IAP[Issuance Agent or Inventory Point]; IAP -- Receipted Advice of Shipment --> FNS; IAP -- Shipment Report --> FNS; IAP -- Coupons --> ABN[American Bank Note]; ABN -- Advice of Shipment --> IAP; ABN -- Col Rec --> FNS
```

The flowchart illustrates the process of coupon supply and redemption. It begins with the **FNS Account with Treasury** providing **Cash** to the **Federal Reserve**. The **Federal Reserve** then issues **\$** to the **Bank**. The **Bank** issues **\$** to the **Grocer** and also provides **Coupon Requisition** to the **State Agency**. The **Grocer** issues **\$** to the **Recipient**. The **Recipient** provides an **Issuance Document** to the **Issuance Agent or Inventory Point**. The **Issuance Agent or Inventory Point** sends a **Receipted Advice of Shipment** to the **FNS** and a **Shipment Report** to the **FNS**. The **Issuance Agent or Inventory Point** also issues **Coupons** to the **American Bank Note** company. The **American Bank Note** company provides an **Advice of Shipment** to the **Issuance Agent or Inventory Point** and sends **Col Rec** (Collection Receipt) to the **FNS**.

Recipient Cash Collection



Accountability



Food Stamp Program
Fiscal Year 1975

State/Region	Areas in Opera- tion	June 1975 Participation		Value of Coupons, FY 1975		Bonus	June 1975
		Public	Total	Bonus Coupons	Total	of	Average
		Assistance	Total	Bonus Coupons	Total	Total	Per Person
		No. Persons	No. Persons	\$	\$	%	\$
Alabama-----	67	94,990	390,858	102,771,831	155,739,773	66	23.29
Alaska-----	1	3,417	12,051	6,574,637	8,513,751	77	36.56
Arizona-----	14	38,819	166,217	40,815,480	57,718,995	71	23.82
Arkansas-----	75	61,684	267,366	74,902,465	115,215,481	65	23.40
California-----	58	1,052,372	1,575,556	363,812,139	619,908,791	59	20.90
Colorado-----	54	77,016	165,356	44,199,948	65,772,547	67	24.87
Connecticut-----	8	95,019	188,962	34,517,584	67,954,796	51	17.97
Delaware-----	3	19,932	38,906	7,670,399	12,597,998	61	21.37
District of Columbia-----	1	87,806	129,851	28,143,260	52,455,540	54	21.69
Florida-----	67	166,683	767,026	206,555,766	281,921,142	73	27.28
Georgia-----	159	195,949	567,599	129,330,604	205,955,340	63	22.46
Guam-----	1	1,764	20,610	3,509,983	5,809,473	60	27.73
Hawaii-----	4	53,600	83,607	23,583,141	42,131,261	56	26.69
Idaho-----	44	16,284	40,931	10,529,759	16,213,640	65	23.16
Illinois-----	102	788,122	1,028,382	241,015,027	421,671,348	57	22.33
Indiana-----	92	102,783	254,735	58,248,732	91,988,031	63	22.41
Iowa-----	99	60,144	117,472	28,090,470	49,130,421	57	19.37
Kansas-----	105	36,960	63,018	12,265,822	24,462,052	50	18.15
Kentucky-----	120	101,591	448,620	128,390,584	191,393,389	67	24.05
Louisiana-----	64	170,001	501,773	148,044,357	216,756,479	68	23.94
Maine-----	16	39,795	151,361	30,962,207	50,811,223	61	21.16
Maryland-----	24	181,835	273,334	76,161,656	117,164,545	65	24.41
Massachusetts-----	7	293,390	559,595	81,668,642	162,789,513	50	17.87
Michigan-----	83	481,655	686,505	123,615,549	258,050,414	48	16.35
Minnesota-----	87	86,325	190,975	40,283,192	74,079,332	54	19.09
Mississippi-----	82	88,567	389,733	109,620,901	162,598,447	67	23.79
Missouri-----	115	149,898	298,865	82,034,087	132,013,203	62	22.88
Montana-----	55	13,497	38,469	10,873,884	16,276,851	67	24.35
Nebraska-----	90	22,009	49,629	11,333,270	20,120,074	56	19.85
Nevada-----	17	8,228	34,337	10,511,166	14,027,038	75	27.28
New Hampshire-----	1	20,612	66,133	11,298,336	19,350,002	58	21.29
New Jersey-----	21	325,699	562,234	125,209,448	222,317,311	56	21.83
New Mexico-----	29	44,893	154,182	46,393,364	67,145,306	69	24.33
New York-----	58	1,135,929	1,431,993	211,185,656	518,196,267	41	14.75
North Carolina-----	100	88,274	532,169	121,896,482	192,280,143	63	22.35
North Dakota-----	51	4,711	19,468	4,493,739	7,849,052	57	19.92
Ohio-----	88	513,623	958,622	255,790,964	378,106,353	68	24.91
Oklahoma-----	77	57,599	183,642	37,727,388	72,011,450	52	18.17
Oregon-----	35	88,957	207,576	56,535,682	86,638,479	65	23.32
Pennsylvania-----	67	557,180	928,131	177,315,336	370,825,706	48	17.67
Puerto Rico-----	9	160,719	1,524,061	251,902,976	350,087,007	72	24.54
Rhode Island-----	2	60,732	99,471	17,932,236	38,443,972	47	17.21
South Carolina-----	46	73,762	417,770	120,967,099	171,798,715	70	24.62
South Dakota-----	65	12,538	31,259	7,720,272	13,453,362	57	19.88
Tennessee-----	95	103,582	434,617	115,376,946	170,862,563	68	24.46
Texas-----	254	259,639	1,119,735	317,745,383	472,932,326	67	23.44
Utah-----	9	32,256	50,230	11,030,323	19,893,565	55	20.01
Vermont-----	12	20,496	45,839	9,323,962	18,210,011	51	18.15
Virgin Islands-----	2	1,937	24,665	5,915,836	8,644,613	68	32.19
Virginia-----	122	102,097	293,185	63,047,783	104,413,534	60	20.73
Washington-----	39	118,724	238,635	68,954,840	112,207,443	61	23.32
West Virginia-----	55	105,422	238,984	56,132,732	88,451,565	63	18.01
Wisconsin-----	72	91,159	163,001	29,326,232	60,042,469	49	17.01
Wyoming-----	23	3,705	11,152	2,723,793	4,346,325	63	21.68
Northeast-----	408	3,208,600	6,556,705	1,188,388,049	2,202,713,603	54	19.75
Southeast-----	736	913,398	3,948,392	1,034,910,213	1,532,549,512	68	24.22
Midwest-----	933	2,332,678	3,811,204	882,003,345	1,509,663,697	58	21.33
West-Central-----	756	737,539	2,542,632	705,854,916	1,071,652,744	66	23.16
Western-----	213	1,382,165	2,379,520	584,826,827	963,168,871	61	22.05
U.S. Total-----	3,046	8,574,380	19,238,453	4,395,983,350	7,279,748,427	60	21.72

Special Milk Program

Appropriation Acts, 1976 -----	\$144,000,000
Budget Estimate, 1977 -----	-0-
Decrease in Appropriation -----	<u>-144,000,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Cash payments to States -----	\$103,111,000	\$-103,111,000	-0-
Proposed rescission -----	40,000,000	- 40,000,000	-0-
Operating expenses:			
GSA space rental costs -----	45,000	- 45,000	-0-
All other -----	844,000	- 844,000	-0-
Total available -----	<u>144,000,000</u>	<u>-144,000,000</u>	<u>-0-</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

	:	1975	:	1976 (estimated)	:	Increase or Decrease	:	1977 (estimated)
1. Cash payments to States -----	:	\$124,068,000	:	\$103,111,000	:	\$-103,111,000 (1)	:	\$ -0-
2. Operating expenses -----	:	869,692	:	889,000	:	- 889,000 (2)	:	-0-
Proposed rescission -----	:	---	:	40,000,000 ^{a/}	:	- 40,000,000	:	---
Unobligated balance lapsing -----	:	62,308	:	---	:	---	:	---
Total, appropriation -----	:	125,000,000	:	144,000,000	:	-144,000,000	:	---

^{a/} A request has been submitted to Congress to rescind \$40,000,000.

EXPLANATION OF PROGRAM

The Special Milk Program was originally designed to encourage the consumption of fluid whole milk by children in nonprofit schools of high school grade and under, summer camps, and similar institutions. The authority for the program is section 3 of the Child Nutrition Act of 1966.

Funds are provided to State agencies to reimburse eligible participating institutions for a part of the cost of fluid milk consumed. Reimbursement is made for the full cost of milk served free to needy children. The eligibility standard for free milk is the same as that established for free lunches.

Public Law 93-347, enacted July 12, 1974, set the reimbursement rate for each half-pint served to children at not less than five cents, to be adjusted each fiscal year to reflect changes in the Consumer Price Index for the cost of food away from home. The rate for fiscal year 1976 is set at 5-1/2 cents. Approximately 20 percent of the half-pints are served free and are reimbursed at full cost. State agencies pay claims by institutions from funds made available to them under letters of credit.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$143,111,000 for cash payments to States. (\$143,111,000 available in FY 1976, of which \$40,000,000 is proposed for rescission).

Need for Decrease. The expansion of the child nutrition programs as a result of the extensive legislation enacted since 1970 means that school lunches and breakfasts including milk are available to 88 percent of all children in school. When the program began in 1954, only 36 percent of the schools in the country participated in the school lunch program. Now, almost 80 percent participate. Nine out of ten schools which offer the special milk program are also in the school lunch or breakfast program. Through these programs, children receive complete meals that include milk. Their daily milk consumption is being increased through these programs.

- (2) A decrease of \$889,000 for operating expenses. (\$889,000 available in FY 1976)

Need for Decrease. No operating expenses would be incurred if the program were to be terminated.

STATUS OF PROGRAM

Current activities

The special milk program seeks to encourage the consumption of fluid milk by children. All nonprofit primary and secondary schools, nonprofit summer camps for children, and nonprofit child-care institutions are eligible to participate. From its inception in fiscal year 1955 through fiscal year 1962, the program was financed through advances from Commodity Credit Corporation funds. The Agricultural Act of 1961 (P.L. 87-128), authorized an appropriation for the program and extended it through June 30, 1967. The Child Nutrition Act of 1966 incorporated the special milk program and extended it through fiscal year 1970. Public Law 91-295 authorized appropriation authority not to exceed \$120 million for fiscal year 1970 and each succeeding fiscal year. Public Law 93-150, enacted November 1973, required that the program be made available to all nonprofit schools and child-care institutions requesting it, and further provided that all children who qualify for free lunches would be eligible for free milk under the special milk program.

Public Law 93-347, enacted July 1974, established five cents as the minimum rate of reimbursement per half-pint of milk served with the rate to be adjusted annually to reflect changes in the food away from home series of the Consumer Price Index. Previously, milk was reimbursed at rates of two, three or four cents per half-pint. The rate for an individual school or institution was determined by whether it sold milk as a separate item and whether it participated in the National School Lunch Program.

Operation of the program

Program funds are advanced to State agencies for use in reimbursing eligible institutions for milk served. These funds help inaugurate a milk service or expand existing service through reducing prices, making free milk available to needy children, and establishing new times of service. All milk served in participating institutions, except for that served as the first half-pint of a National School Lunch Program or School Breakfast Program meal, is reimbursed at five cents. In addition, schools may recover the full cost of milk served free to needy children.

Procedures and administration

In general, procedures established for this program are designed to encourage consumption of milk by making it available to children at reduced prices. Through fiscal year 1974, schools were permitted to use up to one cent of the Federal reimbursement per half-pint or one and one-half cents where justified, to pay the cost of distributing the milk within the school. In an effort to ease administrative burdens on schools, the limit on the amount of reimbursement for within school distribution costs has been eliminated. Instead, it is assumed that the nonprofit nature of the program will ensure that the Federal reimbursement is used to lower the price charged to children for milk.

To the greatest extent possible, State agencies are encouraged to administer the program. The Food and Nutrition Service administers the program directly for private schools where the State agency is prohibited by law from disbursing funds to such participants, and in other outlets where no State agency has assumed the responsibility for administration.

Funds are made available to State agencies through a Letter of Credit procedure. This assures that funds will be available to the States for prompt payment of claims, and insures that Federal funds will be withdrawn from the Treasury only as needed by the States for payment of claims. No Federal funds are specifically appropriated for administrative expenses for State agencies.

Number of Participating Outlets, Half-Pints Reimbursed
and Obligations by State

Fiscal Years 1974 and 1975

STATE	No. of Outlets Participating		Est. No. 1/2 Pints Milk Reimb. (Mil.)		Obligations (Thousands)	
	1974	1975	1974	1975	1974	1975
Alabama	1,341	1,352	15.6	32.5	595.6	2,649.4
Alaska	52	102	0.3	0.8	10.8	44.0
Arizona	442	271	5.5	5.6	171.4	314.6
Arkansas	1,337	1,327	11.5	21.3	428.2	1,388.4
California	8,041	7,962	117.4	155.7	3,546.4	8,922.4
Colorado	1,264	1,264	12.3	21.2	460.0	1,136.0
Connecticut	1,386	1,294	44.2	40.5	1,185.5	2,172.0
Delaware	253	236	4.8	6.5	165.5	349.3
District of Columbia	267	143	4.2	3.5	157.2	180.2
Florida	1,445	1,134	20.5	29.4	468.3	1,684.7
Georgia	1,885	1,779	24.7	50.1	915.7	3,176.9
Hawaii	255	261	0.9	2.2	28.0	170.8
Idaho	534	420	3.8	2.7	111.6	144.2
Illinois	5,671	5,400	105.3	151.4	3,671.7	8,257.5
Indiana	2,303	2,298	40.7	63.4	1,517.7	3,327.2
Iowa	2,306	2,472	20.5	30.9	788.6	1,632.9
Kansas	1,663	1,668	12.4	21.6	433.8	1,216.4
Kentucky	1,662	1,662	24.5	45.9	940.3	2,920.5
Louisiana	1,019	706	6.5	14.2	207.4	1,020.7
Maine	894	860	9.2	14.4	331.0	916.4
Maryland	1,681	1,633	38.0	58.6	1,316.8	3,085.9
Massachusetts	2,938	2,806	56.7	81.9	2,038.9	4,350.9
Michigan	3,528	3,621	91.3	116.6	3,146.7	6,041.4
Minnesota	2,421	2,470	36.6	54.3	1,305.2	2,932.8
Mississippi	857	334	14.5	17.3	533.1	1,217.6
Missouri	2,761	2,788	29.2	46.2	1,070.3	2,464.5
Montana	498	533	3.0	4.5	97.4	248.7
Nebraska	1,323	1,296	8.5	14.2	303.8	752.6
Nevada	235	174	2.7	2.5	58.4	134.1
New Hampshire	557	481	11.3	13.5	367.5	787.0
New Jersey	2,948	2,594	61.5	88.0	2,204.3	4,894.4
New Mexico	537	560	11.3	16.0	273.5	904.6
New York	5,117	5,795	128.8	195.8	4,564.4	10,956.5
North Carolina	2,093	2,065	38.6	78.0	1,299.9	5,913.1
North Dakota	495	425	4.6	6.4	169.0	354.6
Ohio	5,060	5,209	106.5	165.7	3,887.9	9,524.1
Oklahoma	1,910	1,745	14.6	19.9	418.5	1,166.8
Oregon	1,359	1,281	12.2	19.1	427.4	1,019.3
Pennsylvania	3,708	3,741	54.9	82.8	1,911.5	4,338.3
Rhode Island	492	478	8.4	11.8	320.2	599.0
South Carolina	1,143	639	13.9	18.1	500.1	1,381.8
South Dakota	678	678	6.0	6.8	157.5	376.1
Tennessee	1,858	1,834	27.0	60.6	1,008.0	3,826.6
Texas	3,974	4,600	39.9	83.6	1,427.8	5,471.7
Utah	565	432	3.8	4.8	136.2	242.5
Vermont	473	440	5.7	8.8	190.3	498.0
Virginia	1,867	1,572	25.7	42.8	919.4	2,793.6
Washington	1,413	1,741	23.2	34.4	807.0	1,799.4
West Virginia	932	1,010	5.6	9.3	203.7	591.1
Wisconsin	3,038	3,232	55.7	82.0	1,993.5	4,351.4
Wyoming	280	138	1.4	1.3	55.6	71.8
Subtotal	90,759	88,956	1,425.9	2,159.4	49,158.5	124,714.7
Adjustment	---	---	---	---	---	-646.7
TOTAL	90,759	88,956	1,425.9	2,159.4	49,158.5	124,068.0

Food Program Administration

Appropriation Act, 1976	...
Budget Estimate, 1977	\$60,889,000
Increase in Appropriation	<u>+60,889,000</u>

Adjustments in 1976

Appropriation Act, 1976	\$	...
Transfers in the estimates from <u>a/</u> :		
Food Stamp Program	+42,800,000	
Child Nutrition Programs	+9,091,000	
Section 32 (Allotment Account)	+3,186,000	
Special Milk	+889,000	
Special Supplemental Food Program (WIC)	+2,690,000	
Food Donations Program	<u>+439,000</u>	
Adjusted base for 1977		59,095,000
Budget estimate, 1977		60,889,000
Increase over adjusted 1976		<u>+1,794,000</u>

a/ The new appropriation account, Food Program Administration will consolidate all of the Federal operating expense funds formerly appropriated in the six separate accounts as listed.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Food Stamp Program	\$39,738,000	\$-568,000	\$39,170,000
Institutional Nutrition Support:			
Child Nutrition Programs	8,306,000 ^{a/}	+2,592,000	10,898,000
Commodity Program	2,995,000	-679,000	2,316,000
Special Milk Program	818,000	-818,000	...
Special Nutrition Supplements:			
Special Supplemental Food Program (WIC) ...	2,514,000 ^{b/}	-18,000	2,496,000
Food Donations Program	403,000	...	403,000
GSA space rental costs	2,860,000	+685,000	3,545,000
Annualization of the pay cost increase			
effective in FY 1976	<u>1,461,000</u>	<u>+600,000</u>	<u>2,061,000</u>
Total available	<u>59,095,000</u>	<u>+1,794,000</u>	<u>60,889,000</u>

a/ Excludes proposed supplemental of \$2,609,000.

b/ Includes \$540,000 NOA to be used in the transition quarter.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Food Stamp Program	\$34,285,000	\$42,800,000	+ \$400,000	\$43,200,000
2. Institutional Nutrition Support:				
(a) Child Nutrition Programs.	8,945,000	9,091,000 ^{a/}	+2,909,000	12,000,000
(b) Commodity Program	3,254,218	3,186,000	-686,000	2,500,000
Total, Institutional Nutrition Support	12,199,218	12,277,000	+2,223,000	14,500,000

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
3. Special Milk Program.....	932,000	889,000	-889,000	...
4. Special Nutrition Supplements:				
(a) Special Supplemental Food Program (WIC)...	1,820,806	2,690,000 ^{b/}	+60,000	2,750,000
(b) Food Donations Program.....	...	439,000	...	439,000
Total, Special Nutrition Supplements.....	1,820,806	3,129,000	+60,000	3,189,000
Total available or estimate..	49,237,024	59,095,000	+1,794,000	60,889,000
Adjustments for transfers in the estimates from:				
Food Stamp Program	-34,285,000	-42,800,000		
Child Nutrition Programs...	-8,945,000	-9,091,000		
Special Milk Program.....	-932,000	-889,000		
Section 32 (Allotment Account):				
Commodity Program.....	-3,254,218	-3,186,000		
Special Supplemental Food Program (WIC).....	-1,820,806	...		
Special Supplemental Food Program.....	...	-2,690,000		
Food Donations Program.....	...	-439,000		
Total, appropriation.....	...	...		

a/ Excludes proposed supplemental of \$2,609,000.

b/ Includes \$540,000 NOA to be used in the transition quarter.

PROJECT STATEMENT
(On basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Food Stamp Program.....	\$35,889,185	\$42,800,000	\$400,000 (1)	\$43,200,000
2. Institutional Nutrition Support:				
(a) Child Nutrition Programs.....	8,945,211	9,091,000 ^{a/}	+2,909,000	12,000,000
(b) Commodity Program...	3,254,218	3,186,000	-686,000	2,500,000
Total, Institutional Nutrition Support.....	12,199,429	12,277,000	+2,223,000 (2)	14,500,000
3. Special Milk Program....	869,692	889,000	-889,000 (3)	
4. Special Nutrition Supplements:				
(a) Special Supplemental Food Program (WIC)...	1,820,806	2,150,000	+600,000	2,750,000
(b) Food Donations Program	...	439,000	...	439,000
Total, Special Nutrition Supplements.....	1,820,806	2,589,000	+600,000 (4)	3,189,000
Total, obligations.....	50,779,112	58,555,000	+2,334,000	60,889,000
Unobligated balance lapsing.....	62,308	...	...	...
Unobligated balance:				
Available, start of period.....	-1,604,396	...	...	
Available, end of period.....	...	+540,000 ^{b/}	-540,000	...
Total, available or estimate.....	49,237,024	59,095,000	+1,794,000	60,889,000

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Adjustments for transfers in the estimates from:				
Food Stamp Program.....	-34,285,000	-42,800,000		
Child Nutrition Programs.....	-8,945,000	-9,091,000		
Special Milk Program.....	-932,000	-889,000		
Section 32 (Allotment Account):				
Commodity Program.....	-3,254,218	-3,186,000		
Special Supplemental Food Program (WIC).....	-1,820,806	...		
Special Supplemental Food Program (WIC).....	...	-2,690,000		
Food Donations Program.....	...	-439,000		
Total, appropriation.....	...	...		

a/ Excludes proposed supplemental of \$2,609,000.

b/ To be used in transition quarter for Special Supplemental Food Program (WIC) obligations.

Explanation of Program

The appropriation "Food Program Administration" funds the Federal operating expenses of the Food and Nutrition Service. The activities carried out under this appropriation are as follows:

--Food Stamp Program-- The Food Stamp Program is in operation in all 50 States, the Virgin Islands, Puerto Rico, Guam and the Trust Territories. These jurisdictions assume responsibility for certifying eligible households and issuing stamps. Food and Nutrition Service is responsible for developing policies and procedures for the jurisdictions administering the program. It also provides technical assistance to States, monitors the effectiveness and efficiency of the State administration of the program, allocates and reviews 50% matching funds to the States, supervises the retail and wholesale firms which are authorized to accept food stamps and maintains fiscal accountability for the cash paid by participants and the total coupons issued.

--Institutional Nutrition Support-- This activity aggregates the Federal operating expenses of Food and Nutrition Service for subsidized meals for non-needy children, free and reduced priced meals for needy children and commodity support for meals for the elderly. Administrative and technical assistance is furnished to State agencies, participating schools and institutions. Policies, procedures and standards are developed for administering the programs and determining eligibility. The programs are administered directly by the Food and Nutrition Service regional offices in private schools where the State educational agency is prohibited by law from disbursing funds and in child-care institutions where no State agency has assumed the responsibility for administering the programs. Also included are expenses for the distribution of commodities to the institutions covered in this activity.

--Special Milk Program-- This activity comprises the Federal operating expenses incurred for the administration of the Special Milk Program. Food and Nutrition Service furnishes administrative and technical assistance to State agencies, participating schools and child care institutions and develops policies, procedures and standards for administering the program and determining eligibility. The program is administered directly by Food and Nutrition Service in outlets where no State agency has assumed the responsibility for its administration or where the States are prohibited by law from disbursing funds to private schools.

--Special Nutrition Supplements-- Under this activity are included the Federal operating expenses for donations of commodities to needy families and special institutions, the developmental nutrition supplements provided under the Special Supplemental Food Program (WIC), the Special Commodity Package Program, Food Donations Program, the distribution of Section 32 and Section 416 commodities under the Special Commodity Package Program and the Pilot Food Certificate Program. It also includes operating expenses for administering the non-food assistance, state administrative expenses, and nutritional training and surveys formerly funded by the Child Nutrition appropriation.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$400,000 for Food Stamp Program (\$42,800,000 available in FY 1976) consisting of:

- (a) An increase of \$408,000 for annualization of pay increases effective in 1976.
- (b) An increase of \$560,000 for space rental costs.

Need for Increase: Pursuant to P.L. 92-313, the Agency is required to budget for costs associated with occupied GSA controlled space. The 1976 Appropriation Act again limited the Department to paying 90 percent of the Standard Level User Charge used in computing the 1976 request. The funds requested in the 1977 Budget would (1) restore the full financing necessary to meet estimated billings provided by the General Services Administration, and (2) provide for additional general rate increases anticipated during FY 1977.

- (c) A decrease of \$568,000 comprised of a reduction of \$153,000 in travel and \$415,000 in all other expenses. The FY 1977 budget request for the Food Stamp Program is based on program reforms that will make the program easier to administer thereby reducing the need for Federal administrative expenses.
- (2) An increase of \$2,223,000 for Institutional Nutrition Support (\$12,277,000 available in FY 1976) made up of an increase of \$2,909,000 for Child Nutrition Programs and a decrease of \$686,000 for the Commodity Program for the following purposes:

- (a) An increase of \$201,000 for annualization of pay increases effective in 1976.
- (b) An increase of \$109,000 for space rental costs.

Need for Increase: Pursuant to P.L. 92-313, the Agency is required to budget for costs associated with occupied GSA controlled space. The 1976 Appropriation Act again limited the Department to paying 90 percent of the Standard Level User Charge used in computing the 1976 request. The funds requested in the 1977 Budget would (1) restore the full financing necessary to meet estimated billings provided by the General Services Administration, and (2) provide for additional general rate increases anticipated during FY 1977.

- (c) An increase of \$2,592,000 to annualize the 1976 level of Child Nutrition Programs administration (exclusive of pay and space increases).

Need for Increase: The increase will annualize the \$2,609,000 supplemental proposed for 1976 to cover 3 months operations not provided for in the appropriations act for 1976.

- (d) A decrease of \$679,000 for Commodity Program operating expenses for a reduction in level of program operations.
- (3) A decrease of \$889,000, including \$26,000 for 1976 pay costs and \$45,000 for space rental for the Special Milk Program (\$889,000 available in FY 1976). See discussion under the Special Milk Program justifications.
- (4) An increase of \$600,000 for Special Nutrition Supplements (\$2,589,000 available in FY 1976):
- (a) An increase of \$17,000 for the Special Supplemental Food Program (WIC) to annualize the pay cost increases effective in 1976.
- (b) An increase of \$61,000 for space rental costs.

Need for Increase: Pursuant to P.L. 92-313, the Agency is required to budget for costs associated with occupied GSA controlled space. The 1976 Appropriation Act again limited the Department to paying 90 percent of the Standard Level User Charge used in computing the 1976 request. The funds requested in the 1977 Budget would (1) restore the full financing necessary to meet estimated billings provided by the General Services Administration, and (2) provide for additional general rate increases anticipated during FY 1977.

- (c) An increase of \$522,000 to support the growth in the Special Supplemental Food Program (WIC).

Need for Increase: The program will grow from 518 thousand participants at the beginning of 1976 to a peak of 830 thousand at the end of 1976 and will remain at that level through 1977. To oversee the program, a similar growth in Federal administrative workload will occur.

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established on March 10, 1953 by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. In FY 1975 the Service was designated lead agency for the Large Area Crop Inventory Experiment (LACIE). During 1976 responsibility for several programs which had been part of the Service was transferred to the newly created Office of the General Sales Manager. These included Public Law 480, Export Credit Sales, and barter programs, sales of CCC-owned commodities, and the weekly export sales report.

In connection with these duties, the agency performs the following kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service to assist U.S. agricultural industry in its export operations. This is done through a continuous program of reporting by agricultural attaches and officers located in 64 posts throughout the world covering some 114 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Published economic data about commodities are combined with attache reports and subjected to analysis through advanced econometric techniques to generate these estimates.

In addition the Service is currently responsible for determining the utility and cost effectiveness of using satellite, meteorological and climatological data to predict global production of major crops. These operations, part of the LACIE program will yield estimates of wheat production for the U.S. Great Plains which will be used to evaluate the experiment.

The Service develops foreign markets for U.S. farm products through effective market promotion activities. It provides tradesmen, both foreign and domestic, with services that are necessary to build and maintain markets for U.S. products overseas.

Under authority of the Trade Act of 1974, the Service directs and coordinates Department participation in the formulation of trade programs and agreements in order to stabilize and expand the world trade of U.S. agricultural products. It effectively negotiates to reduce restrictive tariff and trade practices which are recognized as barriers to the import of U.S. agricultural commodities.

The Foreign Agricultural Service provides detailed country and commodity analysis for the operation of all programs designated as the responsibility of the Office of the General Sales Manager. These data consist of published trade, tariff and economic reports, commodity price reviews, foreign government policy information, and basic supply and demand analyses.

Organization - The work of the Service is carried out by staff in Washington, D.C. and 64 posts around the world. In addition, an office at the Johnson Space Center in Houston coordinates LACIE activities with NASA and NOAA.

Available Funds and Man-Years

1975 and Estimated, 1976 and 1977

Item	Actual 1975		Estimated Available, 1976		Budget Estimate 1977	
	:Man-:		:Man-:		:Man-:	
	: Amount	: Years	: Amount	: Years	: Amount	: Years
Foreign Agr. Serv.	30,559,000:	685	37,071,000:	741	37,119,000:	717
Trans. to Office of Gen. Sales Mgr...	-463,000:	-18	-520,000:	-18	-520,000:	-18
Transfer from Section 32.....	2,117,000:		--		--	
Total.....	32,213,000:	667	36,551,000:	723	36,599,000:	699
Salaries and ex-						
penses (Special						
foreign currency						
program).....	162,886 ^{a/}	11	500,000 ^{a/}	11	500,000 ^{a/}	11
Obligations under						
other USDA approp-						
riations:						
Limitation on						
administrative						
expenses (Com-						
modity Credit						
Corporation....	1,082,541 ^{b/}	51	1,110,000 ^{c/}	45	1,125,000:	45
Miscellaneous						
reimbursements..	35,329:		32,000:		32,000:	
Total, Other						
USDA Approp-						
riations.....	1,117,870:	51	1,142,000:	45	1,157,000:	45
Total, Agri-						
culture						
Appropria-						
tions.....	33,330,870:	729	37,693,000:	779	37,756,000:	755
Other Federal						
Funds.....	--		118,000:	2	118,000:	2
Total, Foreign						
Agricultural						
Service.....	33,330,870:	729	37,811,000:	781	37,874,000:	757
End-of-Year Employment:	<u>1975 Actual</u>		<u>1976 Estimated</u>		<u>1977 Estimated</u>	
Permanent full-time....	740		736		736	
Other.....	38		37		37	
Total.....	<u>778</u>		<u>773</u>		<u>773</u>	

^{a/}Represents obligations. No appropriations are required for this item since the unobligated balances brought forward are sufficient to carry out this program.

^{b/}Excludes \$2,504,000 and 90 man-years to reflect transfer of Commercial Export, Public Law 480 and Commercial Credit activities to the Office of the General Sales Manager.

^{c/}Excludes \$1,554,000 and 90 man-years to reflect transfer of Commercial Export, Public Law 480 and Commercial Credit activities to the Office of the General Sales Manager.

Foreign Agricultural Service

Note: Subsequent to the printing of the 1977 Budget, the Secretary announced his intention to establish a new Office of the General Sales Manager. These Explanatory Notes have been prepared on the basis of the proposed reorganization which will transfer certain functions and resources from the Foreign Agricultural Service to the new Office of the General Sales Manager. All differences from the printed budget will be footnoted.

Appropriation Act, 1976.....	\$37,071,000
Budget Estimate, 1977.....	<u>37,119,000</u> ^{a/}
Increase in Appropriation.....	<u>\$ +48,000</u>

^{a/}Includes \$520,000 to be transferred to the Office of the General Sales Manager for the Export Sales Reporting function.

SUMMARY OF INCREASES AND DECREASES

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Agricultural attaches.....	\$ 9,942,000	\$ -191,000	\$ 9,751,000
Foreign market development.....	20,064,000	-1,288,000	18,776,000
Large Area Crop Inventory			
Experiment.....	2,000,000	+850,000	2,850,000
GSA space rental costs.....	506,000	-31,000	475,000
Annualization of the pay cost increase effective in FY 1976...	--	+708,000	708,000
All Other.....	4,559,000	--	4,559,000
Total available.....	<u>\$37,071,000</u>	<u>\$ +48,000</u>	<u>\$37,119,000</u>

PROJECT STATEMENT

Project	: 1975	: 1976 (estimated)	: Increase or Decrease	: 1977 (estimated)
1. International trade.....	: 1,261,219	: 1,410,000	: +52,000 (1)	: 1,462,000
2. Agricultural attaches.....	: 7,556,357	: 8,732,000	: +1,281,000 (2)	: 10,013,000
3. Foreign marketing.....	: 18,791,843	: 20,234,000 ^{a/}	: -1,056,000 (3)	: 19,178,000 ^{a/}
4. Foreign commodity analysis.....	: 3,963,575	: 5,447,000	: +1,019,000 (4)	: 6,466,000
Unobligated balance...	: 129,006	: --	: --	: --
Total available or estimate.....	: 31,702,000	: 35,823,000	: +1,296,000	: 37,119,000
Transfer to Department of State.....	: +974,000	: +1,248,000	: -1,248,000	: --
Total, appropriation..	: <u>32,676,000</u>	: <u>37,071,000</u>	: <u>+48,000</u>	: <u>37,119,000</u>

^{a/}Includes \$520,000 to be transferred to Office of General Sales Manager for the Export Sales Reporting function.

EXPLANATION OF PROGRAM

The appropriation of the Foreign Agricultural Service funds the activities authorized by the Agricultural Act of 1954 (P.L. 690) and the Agricultural Trade Development and Assistance Act of 1954, as amended. The activities carried out are as follows:

- International Trade - This program area coordinates and directs Department participation in the formulation of trade programs and agreements with a specific goal of expanding world trade of American agricultural products. The program area maintains an ongoing activity to reduce restrictive tariff and trade practices in foreign countries which discourage imports of American agricultural products.

The workload in this program area is distributed between two major activities, Trade Negotiations and Trade Operations. Functions of these areas include: (a) the development and coordination of USDA positions on trade matters and representation of these views to other Departments and Interdepartmental bodies for the purpose of developing a U.S. position, (b) participation in bilateral and multilateral consultations and negotiations with other Governments, (c) participation in the analysis of the impact of agricultural imports on Department programs, (d) administration of import quota restrictions as imposed by the President, (e) representation of USDA in the Interdepartmental Committee for Export Control under the Export Control Act of 1949, and (f) the assurance of Department participation in developing, evaluating, and presenting administration proposals to reconcile conflicts of U.S. domestic and foreign economic policy pertaining to U.S. agriculture.

- Agricultural Attaches - The Attache Service is a corps of agricultural specialists trained to execute Department programs and represent American agricultural interests within the country of assignment. Currently the Agricultural Attache Service has 64 posts of assignment covering 114 countries.

The workload of this program area is as follows: (a) to provide USDA with foreign agricultural representation, (b) to protect American agricultural trade interests throughout the world, (c) to collect, interpret and analyze marketing, economic, and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs, (d) to assist in the development of markets and implementation of trade programs and projects, and (e) to assure effective Department liaison overseas with Chiefs of the U.S. Diplomatic Missions; other U.S. agencies and foreign government officials; private agencies in the fields of agriculture, commerce, industry and finance; exporters; distributors; farmers; and leaders in international trade organizations, farm and commodity groups and organizations.

The Service submits some 3,700 market intelligence reports a year covering about 114 countries.

- Foreign Market Development - The object of the market development program is to promote and assist in the expansion of commercial export sales of American farm products.

The workload of this program area is distributed among three general activities. Planning and Evaluation duties include: (a) establishment of program policies and objectives, (b) formulation of market development plans and activities, (c) development of program analysis and evaluation plans, and (d) coordination of program operations. Export Trade Services include: (a) maintenance of relationships and liaison with state departments of agriculture, private industry cooperator groups, and regional agricultural trade councils, (b) operation of trade fairs and other FAS market development activities, and (c) coordination of market development programs with U.S. agricultural production planning. Foreign Marketing operations are organized along commodity lines and supervise commodity aspects of private cooperator participation in foreign market development projects under private industry arrangements.

The Foreign Agricultural Service also maintains a market development relationship with 40 active cooperator organizations providing promotional activities in about 70 foreign countries. FAS also conducts some 55 separate promotional events in 37 foreign countries.

- Foreign Commodity Analysis - This area of the agency has primary responsibility for the collection, analysis and distribution of worldwide intelligence on the supply, demand and trade of agricultural commodities. Economists in this area research, describe, and forecast world production, consumption and trade trends, giving special attention to factors which indicate variations from normal patterns and changing trends which affect exports of U.S. agricultural commodities. Data is organized, interpreted, and published in a form which provides information and guidance to U.S. Government policy makers, domestic agricultural producers, the U.S. agricultural business community and the public in general.

The workload of the program area is distributed among eight subunits organized by commodity groups. Their functions are as follows: (a) to conduct studies of foreign production and foreign markets for U.S. agricultural commodities, (b) to conduct analyses of competition from production in foreign countries and its affect on U.S. agricultural exports, (c) to provide U.S. exporters, trade groups, commodity associations and U.S. Government agencies with current market data and intelligence, and (d) to improve processing of worldwide data through, and adapt field reporting to, the use of automatic data processing systems. The program area also evaluates agricultural reporting with the objective of correcting deficiencies, expanding coverage and improving the commodity intelligence reporting system.

Professional analyses of production, prices, supply and distribution, trade and consumption are conducted by this program area on some 74 commodities from about 131 countries.

In FY 1975 FAS became lead agency in the USDA for the Large Area Crop Inventory Experiment (LACIE). This is an experimental program designed to evaluate the feasibility and cost-effectiveness of using Landsat satellites equipped with multispectral scanning equipment to develop large area wheat estimates. Weather and historical data will be integrated with the satellite data to produce a model suitable for implementation, if the experiment is successful.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$52,000 (full year cost) for International Trade for annualization of pay increases effective in FY 1976.
- (2) An increase of \$1,281,000 for Agricultural Attaches consisting of:
 - (a) An increase of \$224,000 (full year cost) for annualization of pay increases effective in FY 1976.
 - (b) An increase of \$1,057,000 to offset overseas wage and price increases through a reprogramming of funds from the Foreign Market Development program (\$7,183,000 available in FY 1976).

Need for Increase - inflation overseas continues to soar, and will cut deeply into the basic requirements of the Attache Service unless this reprogramming request is approved. The magnitude of the cost increase problem is serious since maintaining this activity is so important to USDA and to the American public. The Attache Service is the principal provider of the basic inputs for all of the international agricultural programs. In addition, it is the arm of the Secretary of Agriculture overseas and in almost all cases is key to developing markets for agricultural products worldwide. The effect of inflation can be judged from the Consumer Price Indices of various countries. A survey of 25 selected countries, where FAS has posts, indicates an annual weighted rise in wages and prices of 16.9% during FY 1975. The table below illustrates the continuing trend of escalating costs due to overseas inflation.

Overseas Cost Increases
(in thousands of dollars)

	FY 1975 Actual	FY 1976 Estimate	% Increase	FY 1977 Estimate	% Increase
Local Salaries & Ben.	\$1,525	\$1,851	21.4	\$2,192	18.0
Rents, Comm. & Util.	504	655	30.0	821	25.0
Travel	209	227	8.6	265	7.0
Equipment & Misc.	310	226	-27.0	275	21.0
American Allowances	<u>433</u>	<u>506</u>	<u>16.9</u>	<u>615</u>	<u>22.0</u>
Total	\$2,981	\$3,465	16.0	\$4,168	20.0

Plan of Work - the funds requested will serve only to maintain current program levels. Except where absolutely essential, procurement of equipment and other controllable costs will be reduced. The specific increases will be distributed in the following way: \$703,000 will offset cost increases in the areas cited above; an additional \$557,000 will be needed to offset rising Foreign Affairs Administrative Support costs. Part of this will be transferred to the State Department to become part of their CORE budget authority. Henceforth, there will be no additional inflation offset requests from FAS concerned with the CORE area. The remainder of the SAS request, some \$326,000, will be necessary to offset increases expected in the DAS area which will still be on a shared basis. Lastly, \$28,000 will be used to offset increases in air fares and per diem costs associated with home leave, change of station, consultation, and other mandatory travel by Attaches.

(3) A decrease of \$1,056,000 in Foreign Market Development consisting of:

(a) An increase of \$232,000 (full year cost) for annualization of pay increases effective in FY 1976.

(b) A decrease of \$1,288,000 made necessary in order for the agency to absorb overseas inflation costs in the Agricultural Attache program. Of this amount \$231,000 will be transferred to the Department of State in conjunction with the new Foreign Affairs Administrative Support system (\$11,872,000 available in FY 1976).

Need for Decrease - because of the President's efforts to hold down the level of Federal expenditures in FY 1977, FAS will absorb the costs of overseas inflation in the Attache Service. In order to do this, these costs must be offset by reductions elsewhere in the agency. Each of the agency's programs was examined carefully in light of the functions and the responsibilities of the Foreign Agricultural Service. Each will have to absorb some inflationary increases of their own, such as postal and international airfare costs. During this review it was apparent that the Attache Program could not absorb the entire overseas inflation costs unless approximately 10 of the 64 posts currently active were abolished. This does not seem feasible, particularly at a time when international policies and activities are such that more demands are being placed on the Attache Service to provide data and analysis service to other U.S. international agriculture programs than ever before. During the past five years the number of U.S. citizens assigned overseas under the Attache Program has already been reduced 10 percent as part of ongoing programs to reduce the U.S. presence overseas.

The International Trade Program area was also examined and, because of the heavy additional workload placed upon it by the Multilateral Trade Negotiations, no funds can be made available from this area for use in the Attache Service. Lastly, the Foreign Commodity Analysis programs are also under heavy pressure to do more analysis and provide better, faster data to key areas within the Department of Agriculture as well as keeping the farmer and the general public informed on foreign agricultural matters and statistics. Any reduction in the current level of funding for this activity would seriously affect FAS' capability for keeping abreast of world agricultural developments and relating them to the U.S. agricultural situation.

Thus, after careful consideration of each agency program, it was determined that a decrease in market development activity would be least detrimental to the agency's functions as a whole. This is because the largest area of foreign market development expenditure, cooperator projects, are funded for up to five years. This means that reducing new budget authority will, in the short run, have little or no impact on the agency's programs--cooperators will use funds obligated in past years. Currently, most cooperator market promotion programs have, on the average, approximately two years of funding available from prior appropriations. The long-term effect on this transfer of funds will be a reduction in the level of program funding. In the longer run, of course, there will be an effect upon the overall level of the overseas market development activity.

- (4) An increase of \$1,019,000 for Foreign Commodity Analysis consisting of:

(a) An increase of \$200,000 (full year cost) for annualization of pay increases effective in FY 1976.

(b) A decrease of \$31,000 for space rental costs.

(c) An increase of \$850,000 for Foreign Commodity Intelligence to be used in the LACIE program. (\$2,000,000 available in FY 1976).

Need for Increase - the Large Area Crop Inventory Experiment, which began in FY 1975, is now moving from the planning and model development stage to the testing stage. During the first phase, the crop area measurement subsystem was tested in parts of the Great Plains, wheat yield prediction models were developed and tested, and problem areas were identified. Phase Two, which the experiment is now entering, will estimate wheat production for the Great Plains and other designated wheat producing regions, and includes the design of a user system for implementation, if the experiment is successful. The hardware facilities necessary for these purposes have been identified and include mini-computers, terminals and data communication interfaces with LACIE/Washington. In addition, six additional employees will be needed to complete new system design and to operate the new equipment.

Plan of Work - hardware costs will total \$700,000 of the proposed increase. Overall design of the USDA operational system has begun in anticipation of the larger responsibility USDA will assume in the final phase of LACIE. This will include computer classification and measurement of wheat acreage. The major hardware components needed for an operational USDA system have been identified, and procurement should be initiated in FY 1977 so that software procedures now being developed can be tested and refined prior to implementation. Initially the hardware will be used by USDA staff at the Johnson Space Center in Houston, Texas for the testing of selected applications of computer identification of crops and crop-yield models developed by LACIE staff and contractors. The hardware to be acquired is modular and transportable, and can later be used for LACIE-type operations at other locations with full USDA computer facilities. Should it be determined at the end of LACIE that it is not practical to implement a total LACIE system immediately, the acquired hardware can be readily integrated into USDA agencies for research in remote sensing and related areas.

The staff increase proposed will cost \$150,000. Additional employees will permit the completion of advanced system design necessary so that the USDA can assume additional project responsibilities as planned. Duties of the additional employees will include management and planning, advanced system design and software development, and imagery analysis. Expansion of USDA's overall staffing and provision of hardware for LACIE is consistent with the expressed purpose of designing and implementing an operational LACIE-type system in USDA if evaluation of LACIE results and experience indicates feasibility. In the current year, major emphasis will be given to operational testing in the United States and Canada. In FY 1977, testing will be extended to include other major wheat producing countries. Increased effort will be given to planning system requirements for converting LACIE operations to computers acquired by USDA specifically for LACIE. In anticipation of increased responsibility for operations, USDA also will begin to employ and train technicians to interpret Landsat imagery.

Allotment from Commodity Credit Corporation

Available, 1976.....	\$2,664,000
Adjustments in 1976 Allotment	
Activities transferred to the	
Office of the General Sales	
Manager a/.....	-1,554,000
Adjusted allotment base.....	1,110,000
Allotment Estimate 1977	<u>1,125,000</u>
Increase in Allotment	\$ +15,000

a/ In accordance with the proposed establishment of the Office of the General Sales Manager, the Commodity Export, Public Law 480 and Commercial Credit activities will be transferred from the Foreign Agricultural Service.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted allotment)

	<u>1976</u>	<u>Increase or</u> <u>Decrease</u>	<u>1977</u> <u>Estimate</u>
Foreign Marketing	\$1,075,000	--	\$1,075,000
Annualization of pay cost			
increases effective in			
FY 1976.....	<u>35,000</u>	<u>+ 15,000</u>	<u>50,000</u>
Total allotment.....	<u>\$1,110,000</u>	<u>\$+ 15,000</u>	<u>\$1,125,000</u>

PROJECT STATEMENT

(On basis of adjusted allotment)

Project	: 1975	: 1976	: Increase or	: 1977
		:(estimated):	Decrease	:(estimated)
Foreign Marketing..:	1,082,541	:1,110,000	:+15,000 (1)	: 1,125,000

EXPLANATION OF PROGRAM

Commodity Credit Corporation funds are used to provide financing for all program support activities for the Commodity Export, Public Law 480, and Commercial Credit activities. The allocation of funds to the Foreign Agricultural Service will provide for indepth technical and analytic country and commodity back-up information needed by the General Sales Manager in the accomplishment of his responsibilities. This information will be furnished as a part of ongoing workload activities within the Foreign Agricultural Service.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$15,000 to annualize pay cost increases effective in fiscal year 1976.

STATUS OF PROGRAM

Current Activities: The primary mission of the Foreign Agricultural Service is to help farmers, agribusiness and the trade develop U.S. agricultural export markets in countries throughout the world. In a year such as FY 1976 when these exports are expected to total \$22.7 billion and score a record \$12.7 billion favorable net agricultural trade balance, the benefits to all Americans are obvious. Agricultural exports are of the greatest importance to the American farmer. Exports generate nearly one-fourth of the farmer's marketing income, and consume the products of nearly one in four of his harvested acres. Because exports provide an expanded market for the farmer, he is able to expand his production to achieve the greatest economies of scale which his land and machinery are capable of reaching. He not only increases the size of his marketings, but improves the efficiency of his entire operation. Because FAS programs are designed to expand into new markets and to maintain the existing ones and because he is the citizen most directly affected by export opportunities, the farmer is the agency's chief beneficiary and constituent.

But all Americans benefit from exports. Agricultural exports also provide jobs. An estimated 1.2 million men and women were working full-time in farm export-related jobs in 1974. About half a million were needed in farm production for export. The remainder, or about 700,000, worked at jobs related to the assembling, processing and distribution of agricultural products for export. And, again, all Americans benefitted over the past ten years from the steady and growing surpluses in agricultural trade which have given us a stronger dollar for overseas purchases, and foreign exchange with which to make these purchases. The U.S. position as the world's leading supplier of agricultural products has also given the U.S. a stronger hand in foreign affairs. The Christian Science Monitor has termed this ability to export, "food power." Other recent characterizations have included: "agripower," the Washington Star; "strongest weapon," U.S. News and World Report; and "important implications in terms of global affairs," the New York Times.

What are the programs which the Service executes which contribute to the important export picture? Each FAS program enters the chain of export activities at a crucial stage to ease and increase the flow of exports. First of all, information is collected, analyzed and disseminated to farmers, farm groups and businesses so as to provide a basis for decision making about export opportunities. Next, through market development activities, the agency seeks to aid traders in exploiting the markets which exist overseas. This is done through several operations ranging from support of nonprofit cooperators to providing facilities and coordinating trade exhibits for specific commodities. Since trade access without discrimination is an increasing problem, a third element of FAS programs seeks to reduce tariff and non-tariff barriers to markets. Lastly, the Service administers the Attache Service which supports each of the foregoing activities and provides general representation of American agricultural interests abroad. A fuller picture of the agency's mission is detailed in the Summary of Agricultural Trade which follows. After that, current program activities and representative achievements of each of the Service's programs are offered in relation to the specific agency goals which they support.

Selected Examples of Recent Progress:

SUMMARY OF AGRICULTURAL TRADE

A. Statistical Highlights:

1. Record Value and Volume Levels. U.S. agricultural exports in FY 1976 are expected to increase to about \$22.7 billion -- a new record. This would be five percent above FY 1975's \$21.6 billion. Lower unit values are expected to be offset by increased tonnages for the major commodities. The volume of U.S. agricultural exports is forecast at over 103 million metric tons -- 12 percent above FY 1975 and three percent above the previous record in FY 1974. Imports of agricultural products are likely to total around \$10 billion, about \$500 million above FY 1975. This is the third consecutive year the net agricultural contribution to the balance of trade will be over \$10 billion.

2. Billion Dollar Markets. Two-thirds of the value of U.S. agricultural exports in FY 1975 was shipped to the 15 largest markets. Japan, West Germany, the Netherlands and Canada were again billion dollar markets for U.S. agricultural exports.

3. Large Shares of America's Harvest are Exported. In 1974, farm cash receipts totaled \$95 billion, and in FY 1975 the value of agricultural products exported equaled 23 percent of this amount. This continues the trend of recent years, which has been for exports to equal about one-fourth of marketings.

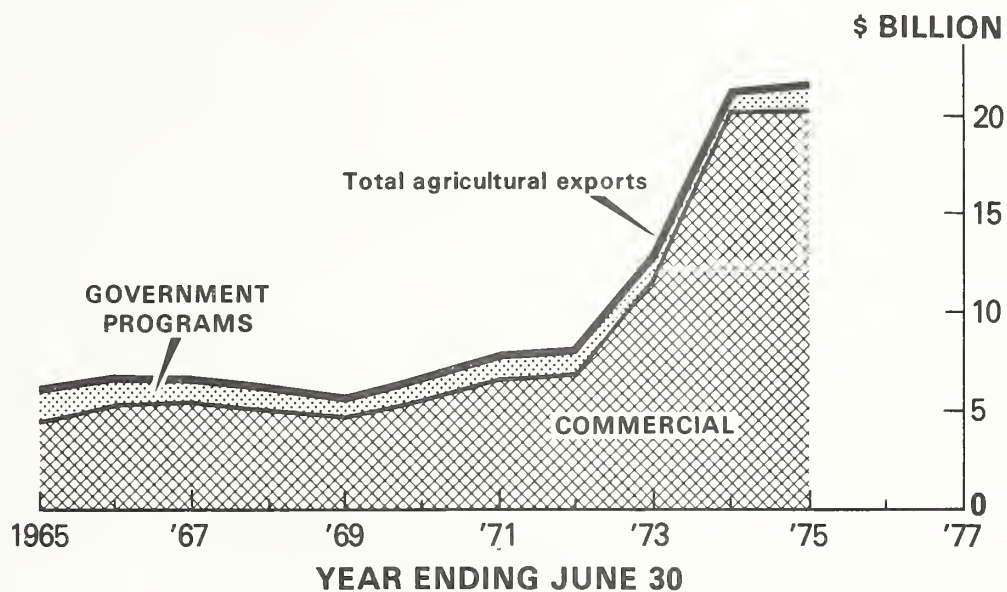
B. Commodity Distribution of Trade:

During fiscal 1975, U.S. agricultural exports totaled \$21.6 billion, \$289 million above the fiscal 1974 record. Export volume was down 15 percent for a variety of reasons: the reduced 1974 U.S. grain harvest and resulting high prices; improved weather and expanded crop production in some foreign markets and competing exporting countries; the worldwide recession which reduced demand for high-quality food; and unprofitable livestock industries in many countries.

1. Grains. In fiscal 1975, wheat exports were valued at \$5.0 billion, flour exports at \$148 million, and wheat products at \$56 million. Wheat volume -- 999 million bushels -- was 10 percent below the fiscal 1974 level and 12 percent below the 1973 record, but 68 percent above the 1970-72 average. The unit value was \$4.80 per bushel, up from \$4.12 in FY 1974. Feedgrain exports were valued at \$4.76 billion during fiscal 1975. Volume, at 34 million tons, was down 22 percent from the 1974 level, but 72 percent high than the 1970-72 average. Export unit value was \$139 per ton, compared with \$106 in fiscal 1974.

2. Oilseeds. Soybean exports fell 22 percent in volume in FY 75 to 405 million bushels. Export value fell only 9 percent to \$3.0 billion. There were also declines in oilcake and meal exports. These, valued at \$732 million, were down 36 percent in fiscal 1975. Volume was 4.7 million short tons, compared with 5.5 million in fiscal 1974 and 5.3

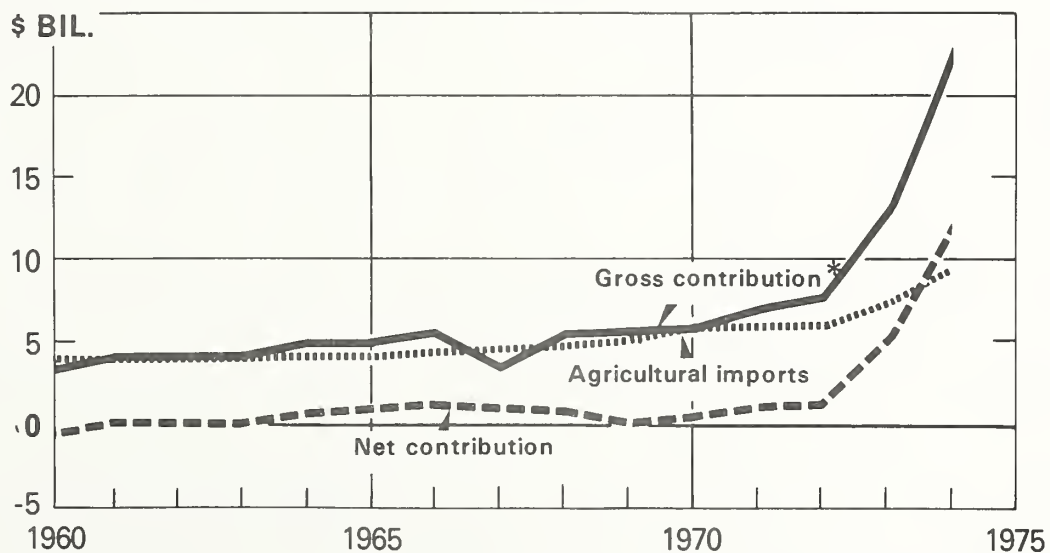
U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS



USDA

NEG. ERS 5366-75 (9)

AGRICULTURE'S CONTRIBUTION TO THE BALANCE OF PAYMENTS



*SUM OF DOLLAR RETURNS FROM COMMERCIAL EXPORTS, DOLLAR REPAYMENTS ON CREDITS, AND LOCAL CURRENCIES (ACQUIRED FROM THE SALE OF FARM PRODUCTS UNDER GOVERNMENT PROGRAMS) USED BY U.S. AGENCIES ABROAD IN LIEU OF DOLLARS.

USDA

NEG. ERS 5919-75 (9)

million in fiscal 1973. Export unit value fell 25 percent to \$156 per ton. Oilmeal exports declined in value to all major markets.

Bucking the trend, soybean and cottonseed oil exports were up 64 percent in value to \$703 million, and volume rose 14 percent. Most of the growth was caused by price increases and a 113 percent rise in volume of shipments to Iran and Egypt.

3. Cotton. U.S. cotton exports declined from \$1.3 billion in fiscal 1974 to \$1.0 billion in fiscal 1975. Export volume declined to 3.8 million bales -- down 33 and 19 percent, respectively, from fiscal years 1974 and 1973. All major markets reduced the volume of imports, with Hong Kong, Indonesia and the PRC registering the largest declines. Many customers in the Far East cancelled contracts with U.S. cotton exporting firms. World recession led to the fall-off in demand for textiles and raw cotton.

4. Tobacco. U.S. tobacco exports were valued at \$910 million in fiscal 1975, up from \$814 million a year earlier. Export volume of 638 million pounds was 8 percent below the 1974 level. Shipments to the traditional leading market, the United Kingdom, dropped 24 percent in volume and 7 percent in value to \$136 million. Japan's purchases increased 39 percent to \$167 million.

5. Fruits and Vegetables. Exports of all horticultural products totaled \$1.2 billion, up 10 percent from the previous year. The Canadian and "EC 9" markets posted gains of 17 and 6 percent, respectively in FY 1975. This helped to offset the important Japanese market where earnings fell 10 percent.

6. Livestock and Livestock Products. During FY 1975 exports fell to \$1.44 billion -- 8 percent below the FY 1974 level. The value of all major commodity groups fell except for pork. Price declines in tallow, hides and skins and variety meats more than offset increased quantities exported. Both price and quantity of live animal shipments were down from FY 1974.

7. Dairy and Poultry. The value of dairy product exports in FY 1975 more than doubled, reaching \$141 million. Exports of egg and poultry products, however, declined to \$135 million, a fall of 6 percent.

8. Sugar and Tropical Products. During FY 1975, exports were \$355 million, an increase of 23 percent. High sugar prices led the way as exports of this commodity reached \$57.7 million -- sugar destined for the EC showed a particularly sharp increase. Other increases on a value basis included dextrose, sugar syrups, cocoa and chocolate products, and latex.

C. Breakdown by Major Markets:

1. European Community. U.S. farm exports to the EC were valued at \$5.3 billion in fiscal 1975, slightly above 1974's level. Feedgrains surpassed soybeans as the highest value farm commodity shipped to the EC, increasing from \$1.24 billion to \$1.53 billion.

2. Other Countries in Western Europe. Exports to non-EC Western Europe totaled \$1.6 billion in fiscal 1975, compared with \$1.4 billion in fiscal 1974 and \$817 million in fiscal 1973. The two largest markets in fiscal 1975 were Spain, taking \$790 million, and Portugal, \$278 million worth of commodities. The fastest growing markets during the past two years have been Portugal, Iceland and Finland.

3. Japan. Japan's purchases of U.S. agricultural products were valued at \$3.2 billion in 1975, \$168 million below 1974's value. Volume declined for all major commodities except wheat. The value of U.S. cotton shipped to Japan remained at \$257 million despite a 30 percent drop in volume. A slight increase in wheat export volume aided a 16 percent rise in value to \$575 million.

4. Canada. The United States exported \$1.3 billion worth of farm products to Canada in fiscal 1975, 10 percent above the 1974 level. Fruits and vegetables continued as the leading item with export value up 34 percent to \$437 million.

5. Latin America. The value of U.S. farm exports to Latin America remained at \$2.4 billion in fiscal 1975. Volume declined from 1974's extraordinarily high level which was caused by a poor 1973 crop year in South America. In recent years, the fastest growing Latin American markets for U.S. farm products have been Chile, Mexico, Haiti, and Honduras.

Wheat remained the main commodity exported to Latin America, although exports fell. Feedgrain exports increased. Wheat exports totaled \$757 million; corn, \$320 million; and grain sorghum, \$137 million. Latin American imports of U.S. vegetables and vegetable oils increased, but imports of soybeans were down sharply.

6. Southeast and East Asia. U.S. agricultural exports to Southeast and East Asia (excluding Japan and the PRC) were valued at \$1.9 billion, compared with \$2.25 billion in fiscal 1974 and \$1.4 billion in fiscal 1973. Fiscal 1975 exports declined for all major commodities.

7. West Asia. Fiscal 1975 agricultural exports to West Asia totaled \$1.6 billion, double the 1974 value and nearly five times the 1973 value. Indicative of these jumps are exports to Iran which rose from \$183 million in fiscal 1974 to \$757 million in fiscal 1975. Strong growth also occurred in exports to Turkey, Iraq and Saudi Arabia.

U.S. exports of wheat and wheat products to West Asia were valued at \$682 million during fiscal 1975, 94 percent above the 1974 level. Export volume was up 69 percent. Rice exports were valued at \$343 million, four times the 1974 level, and export volume was 4.6 times as large.

8. South Asia. South Asia's imports of U.S. farm products were up 85 percent in fiscal 1975, reaching \$1.2 billion. South Asia's food production suffered from a poor 1974 monsoon, which brought drought to some areas and flooding to others.

Wheat was the predominant commodity exported to South Asia in fiscal 1975. Wheat exports more than doubled in value and volume, totaling \$919 million and 218 million bushels.

9. Africa. U.S. farm exports to Africa totaled \$1.1 billion in fiscal 1975, 15 percent above the 1974 level. Egypt's imports, increasing from \$264 million to \$388 million, accounted for most of the growth. Wheat, valued at \$438 million, remained the primary commodity exported to Africa, but export volume was down 17 percent.

10. Eastern Europe. U.S. agricultural exports to Eastern Europe were valued at \$587 million in fiscal 1975 compared with \$686 million in 1974 and \$450 million in 1973. Sharp declines in exports to Poland, Yugoslavia, Czechoslovakia and East Germany contrasted with a large increase in exports to Romania, Hungary and Bulgaria.

Corn exports were particularly noteworthy, more than doubling in volume with export value rising from \$84 million to \$229 million.

11. USSR. U.S. agricultural exports to the USSR declined for the second straight year in FY 1975 from \$509 million to \$396 million. Wheat exports declined 64 percent in volume to 36 million bushels, and corn exports fell to 1.2 million tons from 4 million tons in fiscal 1974. Exports of U.S. agricultural products to the USSR will be up sharply in FY 1976, to over \$2 billion.

12. People's Republic of China. The PRC imported \$328 million worth of U.S. farm products in fiscal 1975, down from \$838 million in 1974. Wheat exports to the PRC, valued at \$189 million, were three-fifths of the 1974 value and one-half the 1974 volume. Corn exports dropped from \$189 million to \$2.6 million. Cotton exports were valued at \$104 million, 55 percent of the year-earlier level; export volume was down 58 percent. Exports are expected to be virtually nil in FY 1976.

D. Agricultural Imports:

1. U.S. Agricultural Imports Rose Slightly in FY 1975. Lower levels of domestic economic activity and record high prices resulted in reduced import demand. The volume of agricultural imports declined about 10 percent as value rose to \$9.58 billion -- up slightly from the FY 1974 level of \$9.55 billion.

2. U.S. Agricultural Imports Expected To Gain About Five Percent. Imports of agricultural products in fiscal 1976 are expected to rise to \$10 billion from last year's \$9.6 billion. Higher prices will account for most of the gain. Price increases for coffee, tea and bananas, combined with larger volumes, should more than offset reductions in other commodity groups.

INTERNATIONAL TRADE

The International Trade Policy program area coordinates and directs the Department's responsibilities in international trade agreement programs and negotiations, with a specific goal of expanding world trade of American agricultural products. The program area identifies and maintains an ongoing activity to reduce foreign trade barriers

and practices which discourage the exports of U.S. farm products. A program of import controls is administered on foreign farm products which would render ineffective or materially interfere with Department programs relating to agricultural commodities. A special staff administers the US/USSR Agreement on Cooperation in the Field of Agriculture, which involves an exchange of technical and economic information with the Soviet Union. Passage of the Trade Act of 1974 gives this program area new importance, since it will be vitally involved with the upcoming Multilateral Trade Negotiations.

A. Objective: To Provide Policy Guidance to the U.S. Negotiating Team During the Multilateral Trade Negotiations.

1. Automated Data Base. The Trade Policy Data Base which includes tariff, non-tariff barriers, import statistics and various other trade information for 26 countries is providing vital backup material for the Multilateral Trade Negotiations (MTN). Numerous analytical routines have been designed to use the computerized system for studying a range of MTN topics from the impact of different tariff cutting formulas to the effects of various non-tariff measures. Currently, the data base includes countries which account for approximately 85 percent of U.S. farm exports to Multilateral Trade Negotiations participants.
2. Progress in the Multilateral Trade Negotiations. The preparatory and analytical phase of the negotiations was largely completed by October 1974 and the negotiations moved into a number of substantive areas when the Trade Act of 1974 became law. Agreement has been reached that some non-tariff measures may best be dealt with through adherence to codes of conduct governing their use. The possibility of a Subsidies and Countervailing Duties Code is being considered. Negotiation of quantitative restrictions is still in the exploratory phase. Consultations currently are taking place to exchange information on these restrictions. The United States has requested consultations with 35 countries and 8 countries have requested consultations with the United States on both agricultural and industrial commodities. The Foreign Agricultural Service is actively participating in all aspects of the negotiations including problems relating to sectors, customs valuation and documentation, and an analysis of various tariff cutting formulas.
3. Public Participation - MTN. Nine advisory committees have been established in conjunction with the Office of the Special Trade Representative for considering MTN proposals. The Committees established include an Agricultural Policy Advisory Committee and eight Agricultural Technical Advisory Committees covering major commodities. These Committees will serve throughout the life of the Trade Act of 1974.

The members of the commodity Committees include approximately 150 representatives of agricultural producers, processors, and traders and they have already begun to provide to the Secretary of Agriculture and the Special Trade Representative specific recommendations on commodities within their areas on which the U.S. should request concessions and be prepared to make offers during the Multilateral Trade Negotiations.

The Agricultural Policy Advisory Committee has advised the Secretary and Special Trade Representative on functional aspects of the Multilateral Trade Negotiations including the structure of the negotiations, subsidy and countervailing duties, standards, and supply access.

B. Objective: To Improve Capabilities for Negotiating Bilaterally on Individual Trade Barriers.

1. Liberalizations of Restrictions:

a. Canada removed quantitative restrictions on its imports of live cattle from the U.S. that had been in effect since 1974. The United States, which had placed retaliatory restrictions in effect in 1974, responded to the Canadian liberalization by lifting its restrictions on imports from Canada of certain cattle, swine and pork.

b. Japan removed the ban on beef imports that it had imposed in 1974 and enlarged its beef import quota in 1975.

c. The European Community: Renewed efforts by some EC members to have parboiled rice reclassified as a processed food under the Common External Tariff were thwarted. Reclassification would have resulted in a 13 percent duty in addition to the present variable levy. In addition, the EC agreed that escape clause measures for walnuts were not justified. Establishment of such measures (temporary import controls) would have adversely affected the walnut industries of California, Oregon and Washington.

2. Interagency Group Formed to Deal with Wine Trade Problems. In reaction to the increasing and highly complex problems, particularly import restrictions on United States foreign trade in wine, an Interagency Group was formed under Treasury leadership in February 1975. The Group serves as a central point for coordinating regulatory activities and policy actions of the various U.S. agencies, and as a general staff for dealing with the numerous import restrictions confronting American wines in foreign countries.

3. Canada Persuaded to Withdraw Proposed Import Restrictions on Commodities Having Geographic Names. In the fall of 1974, Canada formally proposed new regulations which would have forbidden importation of products bearing certain geographic or similar names unless they were actually produced in the localities indicated. This prohibited many American wines and cheeses. After strong protests by the U.S. Government, as well as by certain other governments and private interests, the proposal was withdrawn in February 1975.

C. Objective: To Support Efforts to Increase Trade with Non-Market Economy Countries.

1. U.S.-Romanian Protocols on Agricultural Trade and Cooperation. Two Protocols on Agricultural Trade and Cooperation were signed on September 11, 1975 by Secretary Butz and Romanian Minister of Agriculture Miculescu. The Protocol on Development of Agricultural Trade contains

provisions on exchange of agricultural economic information, including forward estimates of supply, demand and trade in major agricultural commodities. Provision of this kind of information is important for the maintenance of world market stability and will facilitate the expansion of agricultural trade between the U.S. and Romania.

The Protocol on Cooperation in Agriculture opens the door for agricultural research and technology cooperation between the U.S. and Romania, and identified areas in which cooperative activities may begin in the near future.

2. East-West Foreign Trade Board. The Secretary of Agriculture is a member of the East-West Foreign Trade Board which was established by the Trade Act of 1974 to monitor trade with nonmarket economy countries and to report periodically to Congress on East-West trade developments. FAS participation in the activities on the Board and its Working Group has enabled USDA to play a larger role in the formulation of East-West trade policies and has expanded the coverage of agricultural matters in Administration reports to the Congress.

D. Objective: To Support Agriculture's Participation in International Commodity Policy Discussions.

1. Proposals for Commodity Solutions. In 1975, there were numerous proposals in international forums for solutions to commodity problems, employing increased market regulation for world agriculture. In most instances, these proposals would have adverse consequences on U.S. agricultural trade. Prominent among these proposals is an UNCTAD Secretariat proposal which, if approved, would establish a common fund to finance the stockpiling of 19 commodities. These proposals are continually reviewed and monitored for the purpose of ensuring that the adoption of new commodity schemes will not result to the detriment of U.S. agricultural trade interests.

2. Multilateral Consultations in OECD. In 1975, the United States has continued to make use of the Organization for Economic Cooperation and Development (OECD) as a forum for discussing general economic issues. The OECD has also been used to supplement other discussions of issues that are of mutual concern to its members.

The OECD also reviews the supply and demand situations of certain individual commodities and the trade measures taken by member countries. This past year, it extended for one year a declaration calling for a standstill in trade measures, both import and export, to avoid competitive reactions to the balance of payments deficits caused by higher oil prices.

3. Multilateral Consultations in FAO. FAO is a key forum for discussion of commodity policy and followup to the 1974 World Food Conference. The World Food Conference endorsed FAO's proposal for an International Undertaking on World Food Security which calls for the establishment of a world network of national grain reserves. Through an additional role, FAO's Committee on Commodity Problems serves as the main continuing body for review of commodity issues involving

individual agricultural commodities. U.S. participation insures that U.S. interests and concerns are properly taken into account in the formulation of programs or recommendations to governments.

E. Objective: To Improve Operations of the Section 22 Import Licensing Procedure.

Regulatory Coordination with Customs. Intensive and detailed cooperative work with the Customs Service over a one and one-half year period has resulted in the adoption by Customs of a new system of license controls at ports of entry which is completely integrated with the Department's licensing system. This will minimize errors and delays at ports of entry, as well as improve enforcement and reporting.

AGRICULTURAL ATTACHES

Agricultural Attaches, stationed in 64 foreign posts, represent American agricultural interests overseas. They provide the input to a worldwide agricultural intelligence system, reporting on a continuing basis, trade and commodity situations with approximately 1,900 scheduled and 1,600 voluntary reports annually. The Attaches directly assist market promotion activities and participate in negotiations with foreign governments on agricultural matters such as market access, consumer protection, P.L. 480 programs, and agricultural research. In 1974-75 considerable attention was devoted by the Attaches to reassuring foreign buyers that the U.S. is a dependable supplier of farm products.

A. Objective: Collect, Analyze, and Report Essential Agricultural Intelligence.

1. Market Intelligence Reporting from Germany. To meet needs of the Service for current intelligence the Agricultural Attache undertook to supply timely information on rapidly changing conditions on the German dairy industry, the build-up of the Federal Republic of Germany stocks of beef and grains, implications for U.S. wheat exports relative to German wheat quality, and the significance of German pesticide regulations to U.S. trade.

2. Alert Reporting of Increased Wheat Feeding in EC. The Attache in Geneva recognized the implications for U.S. grain exporters when a new demand factor arose in the form of a widespread increase in feeding wheat developed in the EC. Prompt reporting enabled the Department to reassess prospects for U.S. grain shipments to the EC countries.

3. Market Promotion in Japan by Other Countries. Japan is our largest overseas market for farm products but competition is strong. The Attache's office monitored and reported on activities of 39 countries promoting agricultural commodities in Japan which spent \$13.3 million financing 43 trade fairs and 14 trade missions in 1975.

B. Trade Objectives: Maximization of Trade Access for U.S. Products; Implementation of Statutory Import and Export Control Requirements.

1. Quotas on Processed Fruits and Vegetables Eliminated in France. The Agricultural Attache's office was able, through consultations with

the French Ministry of Agriculture, to obtain modification of rules relating to import quotas on canned fruits and dehydrated vegetables. Although the French had agreed to drop quotas on January 1, 1975, a licensing procedure was instituted which presented a new barrier. The Attache's efforts to seek modification succeeded so that no barriers of consequence remain.

2. Tariff on Parboiled Rice Maintained at a Lower Level in West Germany. German rice imports amount annually to \$36 million. The Attache coordinated efforts between the German Agriculture Ministry and the rice trade to maintain parboiled rice in the category of unmanufactured rice which has a lower duty than does manufactured rice.

3. Colombian Export Rebate Reduced on Cut Flowers. The Attache's efforts in negotiations with the Colombian Government led to termination in late 1974 of that portion of its export rebate on cut flowers otherwise determined countervailable by the U.S. and was followed January 1, 1975 by a further reduction of export rebate to 0.1 percent.

4. Solution of a Caribbean Fruit Fly Problem in Japan. Discovery of fruit fly larvae in Florida grapefruit upon arrival in Japan led to extensive condemnation and a halt of further shipments of Florida citrus. Diligent effort by the Attache, assisted by the Florida citrus industry and USDA officials, led to understandings that permitted resumption of shipments in February 1975. Solution of the problem saved the Florida export market in Japan worth \$30 million annually.

C. Objective: Develop and Maintain Markets for U.S. Farm Exports.

1. Gains Achieved in Sales of Identified Soybean Oil. In a number of countries, particularly large producers of vegetable oil, custom and law have inhibited retail sales of refined soybean oil identified as such. In 1975 in Italy, France and the Dominican Republic, Attaches assisted in successful efforts to permit label identification of soybean oil. Joint efforts by the American Soybean Association, local processors and the Attache office in Rome led to 1974-75 Italian retail sales of 18,400 M.T., fifty percent over the target. In France, due to TV and radio publicity, nationwide sales of branded soybean oil progressed steadily. In the Dominican Republic, identification of soybean oil was allowed by the government and now 50 percent of vegetable oil consumption is soybean.

2. Dried Beans and Peas Aggressively Promoted. Attaches in Panama, Greece, South Africa, Switzerland and France contributed to attaining new records in U.S. exports of dried beans and peas. Attaches coordinated visits by U.S. trade representatives with local buyers, organized consumer testing in new markets, assisted in obtaining import licenses, and furnished importers with timely U.S. market information. Large gains were recorded in these countries, partly due to Attache efforts.

3. Commercial Wheat Sales to India at a High Level. The Attache office and Wheat Associates, USA, contributed to the 1974-75 rise in

commercial wheat imports from U.S. by India to 3.5 million tons. India became our largest commercial wheat customer. This level was more than double that of the previous year and represented a U.S. market share of 64 percent of Indian wheat imports.

Impressive gains in wheat sales tonnages in 1974-75 were also registered in Panama (50 percent), and Thailand (60 percent) through assistance provided by the Attaches.

4. Pakistan P.L. 480, Title I, Sale Converted to Cash. A long-term P.L. 480 sales agreement included \$4.3 million grain sorghum with a provision that the recipient country would not export feed grains until the sorghum had been utilized. Observing that large quantities of barley were shipped after the feed grain ban became effective, the Attache succeeded in having further shipments halted and won support from the State Department and the Pakistan Government to convert the sorghum sale to a cash transaction in lieu of other penalties. CCC benefited from the Attache's action by cash replacement and interest receipts totaling \$4.5 million on the sorghum sale.

D. Objective: Facilitate U.S. Agricultural Research Efforts, and Coordinate Other Food, Technological and Related Activities With Which the Agency is Concerned.

1. USDA Research in Pakistan. The ARS special foreign currency research program in Pakistan has 100 active projects underway funded by U.S.-owned Pakistan rupees derived from P.L. 480 sales. Administered by the ARS regional office in New Delhi, India, the program relies considerably on the Attache's office in Islamabad, Pakistan. The Attache coordinates ARS activities in the country with the Pakistan Agricultural Research Council and, because of unreliable communications, his office handles voluminous correspondence with project leaders in Pakistan for ARS.

2. Attaches Serve U.S. Anti-Narcotics Programs Abroad. Attaches serve on Embassy Anti-Narcotics task forces along with representatives of other agencies. ARS has placed crop-substitution specialists in several of these countries and Attaches coordinate their efforts with Embassy and AID mission officials.

3. USDA Research in El Salvador. The Attache participated in negotiations that led to agreement to establish an ARS research station in El Salvador to investigate biological control of malaria.

E. Objective: Safeguard U.S. Agriculture from Foreign Disease, and Assist in the Protection of U.S. Consumers.

Attaches Provide the Focal Point in Many Embassies for Information on U.S. Import Requirements for Plants, Pets and Food Products. U.S. Government publications are regularly sent to Attache offices for distribution to foreigners travelling to the U.S. or to U.S. citizens returning from foreign trips.

F. Objective: Program or Service Visits of Americans Abroad and Travel of Foreigners to the U.S., Which are Important to U.S. Agricultural Interests.

Attache Office Visitor Assistance. Visitors to Attache offices across the world totalled more than 20,000 in FY 1975. Americans and non-Americans, government officials and industry representatives as well as private citizens call upon the Attache in his role as USDA representative.

FOREIGN MARKET DEVELOPMENT

The FAS Foreign Market Development program, aimed at servicing and expanding the commercial export market, is being carried out in cooperation with more than 60 agricultural trade and producer groups and state departments of agriculture. Virtually every U.S. farm product entering world trade is represented in activities which reach into more than 70 countries around the globe. Export promotional activities jointly financed with cooperators include trade servicing, training and educational programs, seminars, demonstrations, international trade exhibits, trade missions to and from the United States, advertising, and merchandizing. In addition, FAS holds its own trade fairs, operates the Trade Operations Referral Service and provides other assistance designed to put potential buyers in contact with U.S. cooperators. FAS helps meet the continuing need to service existing markets as well as explore new markets.

A. Objective: Work Jointly with Market Development Cooperators to Expand Markets and Explore New Markets for U.S. Agricultural Commodities and Food Products.

1. U.S. Cattle Find New Market in Hungary. Promotional activities and technical and trade servicing activities in Hungary enabled the Holstein-Friesian Association to complete its largest sale to a single country last summer, 6,300 head of cattle. Holstein-Friesian Services, Inc., the export arm of HFA, is now the largest air shipper of cattle. HFS now ships nearly 1,000 cattle per month by air. As a result of market development activities, sales increased from 1,799 head in 1971 to 8,500 in 1974 with 5,500 shipped during the first six months of 1975.

2. New Products Expand Market for Wheat in Hong Kong. In October 1975, Western Wheat Associates (WWA) participated in the American Fortnight Trade Show in Hong Kong. In cooperation with a major hotel and a U.S. airline, WWA promoted U.S. type pancakes, sandwiches, pizza, and a whole wheat and raisin bread. The culmination of many innovative promotional campaigns along with technical and trade servicing have enabled the United States to capture nearly 70% of Hong Kong's wheat market compared with 2% a decade ago.

3. Rice Council Activity in the Middle East. The Rice Council for Market Development, working closely with Agricultural Attaches in Tehran and Beirut, has effectively contributed to the dramatic increase in exports of American rice to the Middle East. Sales of American rice to the Middle East reached 702,556 tons during fiscal 1975--over 3 times that of the preceding year--and accounted for nearly one-third of total U.S. rice exports.

4. PEIA Opening New Office in Caribbean. The Poultry and Egg Institute of America (PEIA) has secured the approval of the Government of St. Lucia to open a Regional Caribbean Office to capitalize on the growing market in this area. Twenty-six percent more poultry meat products have been exported to the Caribbean during January through September 1975 than in the same period the previous year. Potential is great for developing the Caribbean into a major market for poultry meat products.

5. Promotion of Tallow-Based Soap and Detergent. The U.S. animal fats industry presently needs to develop new end-users of its products. Hence a major thrust of the National Renderers Association (NRA) export promotion effort during the past few years has been to move finished product research development into practical application in the market place. Following intensive trade and technical servicing activities by NRA, two Japanese firms recently began manufacturing and marketing a tallow-based soap detergent (developed by USDA research, supported by NRA) in Japan. If the sale of this product in Japan and other countries is as successful as preliminary estimates indicate, it will have a major impact on increasing foreign markets for U.S. tallow.

6. Soybean Exports to Taiwan Increased 50 Percent. U.S. exports of soybeans to Taiwan increased almost 50 percent in FY 1975 from the previous year. The American Soybean Association (ASA) has actively promoted increased sales of U.S. soybeans to Taiwan through such trade servicing activities as visits of U.S. feed and livestock technicians to Taiwan and cooperation on feed mill technician training. Both activities encourage improvements in Taiwan's livestock feeding techniques by teaching the benefits of using soybean meal as a low cost high efficiency feed ingredient in the livestock rations. These visits allow for one-to-one consultations in the plants and the development of end products suited to Taiwan's conditions.

7. Creating New Markets for U.S. Beef. In response to continued production of beef beyond U.S. domestic needs, FAS has joined with the Meat Export Federation, a new cooperator, to promote U.S. meat and meat products. The objective of this venture is to build overseas markets for high quality U.S. meat by capitalizing on the growing demand for red meat among the world's people. Activities of the Meat Export Federation will include market promotion, technical services, and trade servicing.

B. Objective: Provide U.S. and Foreign Tradesmen With Opportunities and Services Necessary to Build and Maintain Overseas Markets.

1. New European Markets for U.S. Blueberries. Following market research, technical servicing of European food manufacturers and users through trade teams, and exhibits at Hotel, Restaurant and Institutional food shows by the North American Blueberry Council and FAS, some 9.5 million pounds (\$3.5 to \$4 million value) will be exported to Europe during FY 1976, compared to 2.5 million pounds in FY 1974.

2. American Foods In-Store Promotions Largest Ever in Japan, Spring 1975. A wide variety of U.S. food products were featured during an

"American Foods" promotion held in cooperation with eight Japanese store groups during the period March 27-June 24, 1975. Thirty-five department stores and twenty-five supermarkets covering Japan's heavily populated Pacific Coast marketing area, from Sapporo City on the north to Naha City on the south, participated in the promotion which highlighted the quality and availability of U.S. foods.

Total sales of the U.S. source food products being promoted during the 60-store promotion were U.S. \$840,894. This compared to \$231,414 and \$343,276, respectively, during a comparable period before and after the promotion. During the promotion, the stores were visited by an estimated 6.2 million people. This was an increase of 1.1 million, or 22 percent over the estimated normal customer traffic for these same stores.

3. SUSTA Office Opens in New Orleans. To assist FAS in the development of foreign markets for agricultural products from the region, the Southern U.S. Trade Association (SUSTA) opened an office in the International Trade Mart in New Orleans in November 1974. SUSTA, representing 15 state departments of agriculture, is the third such regional export organization to establish headquarters and hire staff members.

4. Trade Opportunity Referral Service (TORS). Documented sales resulting from the 1,600 trade leads generated by the TORS operation in FY 1975 exceeded \$11.5 million. Approximately 900 U.S. firms requested that their names be added to the TORS mailing list, to receive trade leads developed by FAS with this program. FAS expenditures were only \$75,000 in FY 1975 for this activity--a ratio of \$1 for each \$154 of known initial sales.

5. U.S. Food Exhibition in Nigeria. During May 1975, FAS sponsored its first exhibit of U.S. food products in Nigeria, with 14 exhibitors representing more than 40 participating U.S. companies. Approximately 400 caterers, food importers, wholesalers, and retailers attended the 3-day event in Lagos. Off-the-floor sales were placed at \$533,000 with \$2.5 million in sales projected by exhibitors for the 12 months following the show. Moreover, 44 agency arrangements were finalized to represent U.S. firms and food products in the Nigerian market.

C. Objective: Continue Long-Range Planning and Analysis to Define Opportunities, Encourage New Cooperators, Treat New Products and Ideas and Explore New Marketing Channels.

1. Commodity Identification Studies. During FY 1975 FAS, in cooperation with the National Associations of the State Departments of Agriculture, conducted Commodity Identification Studies in Spain, Colombia, Venezuela, Indonesia and West Germany. Marketing opportunities in each nation were identified with reports prepared for distribution to interested parties. Based upon the positive findings of several of these studies, plans for future market development activities were drawn up for Indonesia, Spain and West Germany.

2. American Style Blueberry Pies to be Introduced in U.K. McVities and Cadbury Cakes, Ltd., a division of United Biscuits Ltd., has purchased four containers of U.S. blueberries to be used in manufacturing American Style blueberry pies in the U.K. Introduction of this new consumer bakery item culminates numerous contacts by the U.S. packer-exporter, the North American Blueberry Council and FAS. To expand this market further, promotional activities by United Biscuits, Ltd., a world leader in biscuit and confection manufacture will be supported by the North American Blueberry Council and FAS.

3. Soy Protein Conference. In November 1975, the American Soybean Association conducted a Latin American Soy Protein Conference with the purpose of stimulating governments, trade and industries in soy protein in Latin America. The conference--the first in Latin America--was designed to provide current information, developments and explanations on ways that soy foods can be used to increase the protein content in the human diets of the Latin American countries. To increase the effectiveness and impact of the conference, one key government official from each country in Latin America, who was associated with health and/or nutrition, was invited to the conference and sponsored by the American Soybean Association. This conference was designed as a preliminary move to initiate market development activities for soy protein in Latin America. As a result of the conference, interest was stirred and contact was made with key government decision makers both of which will aid in planning for further market development activities on soy protein.

FOREIGN COMMODITY ANALYSIS

The Foreign Commodity Analysis program area is responsible for providing data relating to foreign demand, supply, production and distribution of agricultural commodities. Data is collected from routine field reports furnished by the Attache Service, from special field investigations carried on by our Washington analysts, and from various other public and private sources. Modern economic analytical tools are used to examine the data and produce summaries of the world commodity situation on a country and area basis, and to make short-term forecasts. Fluctuations of prices, demand and supply, and their potential impact on American exports are a particular focus of FAS studies. Reports and analyses are distributed to the agribusiness world through various means, including several FAS publications and participation by our specialists in various trade conferences.

A. Objective: To Improve Analytical Capabilities with a View to Providing Greater In-Depth Analysis and Increased Reliability of Predictive Estimates.

1. Automation of Supply, Distribution and Production Data. Efforts to build a good automated data base of all major agricultural commodities continued throughout the past year. Supply and distribution data was added for soybeans, soybean oil, soybean meal, eggs, poultry meat, turkey meat, and rice. Production data was added for cigarettes. Plans for the future are to make this data base directly accessible to analysts through computer terminals.

2. Cotton Competition Studies for Brazil, Syria, and Mexico. The situation in these three important countries competing for the world cotton markets was analyzed with emphasis on government policy, production costs, cotton's ability to compete for land, lint cotton exports, and increased exports of cotton as manufactured goods. The costs of production in these countries have risen and now approximate that in the United States. However, labor is a much larger component of total costs than in the United States. Significant shifts from cotton to other crops have recently occurred, especially in Mexico. Export availabilities of cotton lint from these countries are expected to be very much affected by the profitability of cotton relative to alternative crops. Even so, these governments are expected to continue to support and subsidize cotton production.

3. Revision of Dairy and Poultry Reporting. During the past year, reporting instructions for dairy and poultry commodities were streamlined and improved. Attache reports are received quarterly, rather than annually, and are forecast-oriented. Data are handled via "intelligent" computer terminals to speed up data handling. Commodity Outlook reports will be published quarterly.

4. Countervailing Duty Investigations. FAS provided technical expertise to the Treasury Department in various Countervailing Duty Investigations (CVD's). These Investigations were generated as a result of the Trade Act of 1974. Of particular interest were the investigations on subsidized cheeses from the EC and subsidized hams and shoulders from the EC. Other CVD investigations on which our assistance was sought were on cheeses from Switzerland, Austria, Finland and Sweden and butter from Australia.

5. Export Competition from Spanish Almonds and Olives. Since the late 1960's, the California almond industry has enjoyed a very brisk market in export, particularly to Europe and Japan. As a result, almonds have ranked as the first or second leading export dollar earner in the horticultural family. In very recent years, however, increasing competition from Spanish almonds has been noted in continental markets. New plantings have reportedly been quite heavy in Spain. In view of this development an on-the-spot survey of the almond industry in Spain has been undertaken in an attempt to measure its potential impact on the export market for California almonds.

Since California olive growers and packers have expressed concern over developments in the Spanish olive industry, the almond survey was complemented by one for olives. Reports have indicated that Spain has or is about to launch into the type of pack long produced in California, canned ripe olives.

6. Automation of World Trade Flow Data for Grains. A new data system has become operational during the past year for handling detailed information on world trade flows for grains. Wheat, wheat flour and feed grains are covered and rice is to be added in the near future. The new system provides trade pattern details, such as the quantity which a country exports to each of its foreign markets in a given period. In addition, the system will enable a greatly increased por-

tion of the available world grain trade data to be published and to be available in useful and accessible form, to analysts of the world grain situation. During periods of relative abundance, when there is strong competition and interest in the improvement of the competitive position of U.S. grain in each individual foreign market, such data will be particularly useful for indicating market shares and historical patterns.

7. Improved System for Short-Term Forecasting of USSR Production and Import Requirements. Progress was made in the development of capability for forecasting crop prospects and import requirements for grain in the USSR. The crop assessment team program, conducted under the U.S.-USSR Agreement on Agricultural Cooperation, was enlarged from one to two teams in 1975, covering the main winter and spring grain producing regions. In USDA there was more frequent and intensive assessments of available weather and crop information. These additional steps made possible expanded published reports during the summer of 1975.

8. EC Trade Restrictions on Soy Protein Analyzed. In July 1975, the first comprehensive working paper on tariff classifications and other barriers to U.S.-EC trade in soy proteins was prepared and circulated for comments. The report was circulated in Europe and Latin America to emphasize the high priority the U.S. places on the removal of trade barriers and the further expansion of exports of this highly complex commodity group. The report was prompted by the increasing world demand for non-meat proteins and focuses on the EC which is presently the U.S.'s largest market for soy proteins. In 1976 other major European countries are expected to be covered in a similar report.

9. The U.S. and USSR Exchange Oilseed/Vegetable Oil Teams. The U.S. sent its first industry-government team of oilseed and vegetable oil specialists for a three-week extended visit to the USSR in September 1975. The U.S. team visited areas of major sunflower production as well as key oil processing facilities. The team concluded that 1975 Soviet sunflower production would fall sharply below the already reduced 1974 level and that soybean imports in the magnitude of nearly 1.5 million tons would be needed to maintain crushing operations. Subsequently, the USSR confirmed purchases of about 1.5 million tons, but without reporting on the status of its 1975 sunflower crop. The USSR sent a soybean/vegetable oil team to the U.S. in October 1975. Plans for further exchanges of oilseed teams in 1976 are being developed.

10. Substantial Changes in Sugar and Coffee Markets Analyzed. Rapidly changing world market situations for sugar and coffee during the past year have required in-depth study and analysis. The supply-demand situation for sugar has turned from short to adequate, with a slight buildup in world stocks. This is despite the fact that consumption, which had retracted because of high prices, is at more normal levels. Coffee prices, which had fallen steadily, have again risen sharply because of the severe frost which occurred in Brazil the night of July 17/18. FAS has constantly monitored the Brazilian production situation, studying its effect on world prices and the world supply-situation not only for 1975/76 but for 1976/77 and 1977/78 as well.

11. Canadian Tobacco Study. A survey and study of Canadian flue-cured tobacco in early FY 1976 revealed that annual leaf production has been held to 50 - 80 percent of maximum capacity. This estimate is based on unused tobacco acreage, and on continuing investment in automatic harvesting and bulk curing equipment. Canadian growers hold comparatively large tobacco farms; thus labor saving investment is relatively attractive. Higher Canadian production costs and leaf prices (relative to leaf quality) will probably prevent Canadian flue-cured from displacing U.S. exports to third countries, though should production approach current capacity, realization of potential economies of scale could make Canadian leaf more competitive. However, the greatest threat to U.S. and Canadian flue-cured exports alike is cheaper flue-cured filler grown in low-wage areas, such as Brazil and Africa.

12. Disincentives to Agriculture in Less Developed Countries. In the past year the Foreign Agricultural Service surveyed more than 50 less developed countries for the purpose of identifying disincentives to agricultural production. Those discovered included: controlling the selling price of the producers, controlling the retail price to the consumer, export taxes, and restrictions on credit, land tenure, and farm size. The final report was published in the Foreign Agriculture magazine, and served as background material for the U.S. delegation to the World Food Conference.

B. Objective: To Provide Support for U.S. Participation in the Multilateral Trade Negotiations (MTN).

1. MTN Back-Up Data. Much progress has been made on the automated data base under development to support the USDA in the MTN. It has been expanded from four countries to 17 countries. In addition, many reports supporting analytical work have been produced and may be easily updated.

2. Technical Agricultural Advisory Committee Digest on Cotton. FAS contributed to and coordinated the production of an extensive digest of world cotton trade and production and protection and support systems in the U.S. and leading foreign cotton importing and exporting countries. This was the basic document used by the Cotton Technical Advisory Committee in preparing their recommendations on the MTN to Secretary Butz and Ambassador Dent of the Office of the Special Trade Representative.

C. Objective: To Develop Methods for and Test the Cost Effectiveness of Crop Forecasting Using Satellite, Meteorological and Historical Data.

Progress in the LACIE Experiment. LACIE is an operational test of a system using satellite, weather and historical acreage data to make large area wheat estimates. Goals of the first phase were: (1) to test the crop area measurement subsystem in parts of the Great Plains; (2) to develop and test models for predicting wheat yield; and (3) to identify problem areas which require further research. These goals were met. Phase 2, which began October 1, 1975, will estimate wheat production for the Great Plains and other designated wheat producing regions. Phase 2 will include design of a user system for implementation if the experiment succeeds.

UNITED STATES DEPARTMENT OF AGRICULTURE

DETAILED STATEMENT OF OBLIGATIONS
BY GEOGRAPHIC LOCATIONS

Agency: Foreign Agricultural Service

LOCATION	Obligated	Estimated	Estimated
Financial Project	1975	1976	1977
DISTRICT OF COLUMBIA:			
Foreign Agricultural Service:			
International Trade.....	1,261,219:	1,410,000:	1,462,000
Agricultural Attaches.....	3,812,679:	4,457,000:	2,993,000
Foreign Marketing.....	8,150,533:	10,602,000:	10,834,000
Foreign Commodity Analysis:	3,390,575:	4,867,000:	5,881,000
Allotment from Commodity Credit Corporation: (Limitation on Administrative Expenses)			
Foreign Marketing.....	1,082,541:	1,110,000:	1,125,000
Transfer to:			
Office of Gen. Sales Mgr..	-463,000:	-520,000:	-520,000
TOTAL, DISTRICT OF COLUMBIA...	17,234,547:	21,926,000:	21,775,000
HOUSTON, TEXAS:			
Foreign Agricultural Service:			
Foreign Commodity Analysis:	573,000:	580,000:	585,000
TOTAL, TEXAS.....	573,000:	580,000:	585,000
FIELD (FOREIGN COUNTRIES):			
Foreign Agricultural Service:			
Agricultural Attaches.....	4,717,678:	5,523,000:	7,020,000
Foreign Marketing.....	10,641,310:	9,632,000:	8,344,000
Salaries and Expenses (Special Foreign Currency Program):			
Foreign Marketing.....	a/	a/	a/
TOTAL, FIELD.....	15,358,988:	15,155,000:	15,364,000

a/Obligations for this program are funded from unobligated balances brought forward from prior years. Obligations are: 1975 actual, \$162,886; 1976 estimate, \$500,000; 1977 estimate, \$500,000.

UNITED STATES DEPARTMENT OF AGRICULTURE

DETAILED STATEMENT OF OBLIGATIONS
BY GEOGRAPHIC LOCATIONS

Agency: Foreign Agricultural Service

LOCATION	:	:	:
Appropriation	:	Obligated	Estimated
Financial Project	:	1975	1976
	:		1977
SUMMARY:	:	:	:
FOREIGN AGRICULTURAL SERVICE:	:	:	:
Foreign Agricultural Service:	:	:	:
International Trade.....	:	1,261,219:	1,410,000:
Agricultural Attaches.....	:	8,530,357:	9,980,000:
Foreign Marketing.....	:	18,791,843:	20,234,000:
Foreign Commodity Analysis:	:	3,963,575:	5,447,000:
Total, Foreign Agricul-	:	:	:
tural Service, above..	:	32,546,994:	37,071,000:
Add allotment from:	:	:	:
Commodity Credit Corpora-	:	:	:
tion.....	:	1,082,541:	1,110,000:
Subtract transfer to:	:	:	:
Office of the General	:	:	:
Sales Manager.....	:	-463,000:	-520,000:
TOTAL OBLIGATIONS, FOREIGN	:	:	:
AGRICULTURAL SERVICE.....	:	33,166,535:	37,661,000:
	:	37,724,000	

Salaries and Expenses (Special Foreign Currency Program)

NOTE: The Budget Estimates do not propose an appropriation for 1977. The amounts for 1976 and 1977 reflect the use of unobligated balances carried over from prior years.

PROJECT STATEMENT

	:	1975	:	1976 (Estimated)	:	Transition: Quarter	:	1977 (Estimated)
Market development pro- jects (Sec. 104(b) (1) obligations.....	:	\$ 162,886	:	\$ 500,000	:	\$ 125,000	:	\$ 500,000
Unobligated balance brought forward (-).....	:	2,897,494	:	2,734,608	:	2,234,608	:	2,109,608
Recoveries of prior year obligations.....	:	---	:	---	:	---	:	---
Unobligated balance carried forward.....	:	2,734,608	:	2,234,608	:	2,109,608	:	1,609,608
Total appropriation.....	:	---	:	---	:	---	:	---

For a discussion of market development projects, including those financed from this appropriation, see the Status of Program under Foreign Agricultural Service.

Use of Special Foreign Currency Appropriation:

Country	:	1975 actual	:	1976 est.	:	Trans. Qtr.	:	1977 est.
India	:	\$119,890	:	\$385,000	:	\$ 78,000	:	\$335,000
Pakistan	:	16,707	:	50,000	:	13,000	:	50,000
Poland	:	19,089	:	50,000	:	30,000	:	100,000
Worldwide	:	7,200	:	15,000	:	4,000	:	15,000
Total	:	\$162,886	:	\$500,000	:	\$125,000	:	\$500,000

PASSENGER MOTOR VEHICLES

The 1977 Budget Estimates propose the purchase of three additional passenger motor vehicles, one of which will replace a light truck type vehicle.

The passenger motor vehicles and light truck vehicles of the Service are used exclusively by the agricultural attaches at selected overseas posts. The attache travels extensively throughout the countries assigned in gathering agricultural data.

Additional passenger motor vehicles. Three additional passenger motor vehicles are requested for use by the agricultural attaches. One of these vehicles will replace a vehicle in the light truck class which is no longer required due to better road conditions. The remaining two will be used by our Attaches in Rome, Italy and Vienna, Austria. The attache and assistants in Rome must now rely on the Embassy Pool vehicles or their personal automobiles for official travel within their areas of operation. A new attache office in Vienna, Austria was established during FY75 and is in need of an official passenger vehicle for carrying out the assignment responsibilities. The purchase of passenger vehicles is also more economical in original purchase price as well as reduced maintenance operation cost.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1975 is as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Mileage Data</u>		
	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage</u> (thousands)	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1974	2	67	Under 20	3	100
1975	1	33	Total	3	100
Total	3	100			

Office of the General Sales Manager

Purpose Statement

In February 1976 the Secretary established a new independent Office of the General Sales Manager headed by a General Sales Manager who reports directly to the Secretary. The purpose of this organizational realignment is to give the General Sales Manager direct control of the staff engaged in the following activities:

- Formulate policies and conduct programs under Public Law 480 which facilitate the sale of agricultural commodities on a long-term credit basis and for the donation of agricultural commodities to foreign governments, inter-governmental and voluntary agencies and the World Food Program.
- Formulate policies and conduct programs under section 5(f) of the CCC Charter Act (15 U.S.C. 714c(f) and section 4, Public Law 89-808 (7 U.S.C. 1707a) to finance commercial export credit sales of agricultural commodities by U.S. exporters.
- Formulate policies for standby programs, and conduct such programs if deemed necessary, under which agricultural commodities are exported including:
 - . barter, sections 4(h) and 5(f) of the CCC Charter Act (15 U.S.C. 714b(h) and 714c(f) and section 303 of Public Law 480 (7 U.S.C. 1692).
 - . sales from CCC-owned stocks, except for tobacco, peanuts, tung oil, and gum naval stores.
 - . export payments (other than those under Section 32, Public Law 320, 74th Congress (7 U.S.C. 612c), and other CCC export programs as assigned.
- Formulate policies and conduct programs for receiving, compiling and publishing data on export sales of specified agricultural commodities under Section 812 of the Agricultural Act of 1970, as added by the Agricultural and Consumer Protection Act of 1973.

The above functions were transferred by the Secretary's Memorandum from the Foreign Agricultural Service. This agency provides worldwide data and analytical support to the new Office. The Agricultural Stabilization and Conservation Service provides accounting, budget, personnel and other management support services. The new Office functions through a central office in Washington, D.C.

Available Funds and Man-Years
1975 and Estimated, 1976 and 1977

Item	Actual 1975		Estimated Available, 1976		Budget Estimate 1977	
	:Man-		:Man-		:Man-	
	Amount	Years	Amount	Years	Amount	Years
Office of the General	:	:	:	:	:	:
Sales Manager:	:	:	:	:	:	:
Transfer from	:	:	:	:	:	:
Foreign Agricultural:	:	:	:	:	:	:
Service.....	463,000	18	520,000	18	520,000	18
Limitation on Admin-	:	:	:	:	:	:
istrative Expenses..	2,525,928	92	2,590,000	87	2,613,000	87
Total, Office of the	:	:	:	:	:	:
General Sales Manager.	2,988,928	110	3,110,000	105	3,133,000	105

End-of-Year Employment:

	<u>1975 Actual</u>	<u>1976 Estimated</u>	<u>1977 Estimated</u>
Permanent full-time.....	110	105	105
Other.....	-	-	-
Total.....	110	105	105

Office of the General Sales Manager
Allotment from Commodity Credit Corporation

Note: Subsequent to the printing of the 1977 Budget, the Secretary announced his intention to establish a new Office of the General Sales Manager. These Explanatory Notes have been prepared on the basis of the proposed reorganization which will transfer certain functions from the Foreign Agricultural Service to the new OGSM. All differences from the printed budget will be footnoted.

Available, 1976..... \$1,036,000

Adjustment in 1976:

Activities transferred from Foreign		
Agricultural Service: ^{a/}		
Limitation on Administrative Expenses.....	1,554,000	
Adjusted allotment base, 1976.....		2,590,000
Allotment Estimate, 1977.....		<u>2,613,000^{a/}</u>
Increase.....		<u>\$ +23,000</u>

^{a/}In addition, \$520,000 will be transferred from the Foreign Agricultural Service for the Export Sales Reporting function.

The Commercial Export, Public Law 480 and Commercial Credit activities will continue to be paid from CCC funds. The FAS allotment from CCC will be reduced by \$1,554,000 to cover the above activities. The Export Sales Reporting function will be paid from funds transferred from the direct appropriation account of the Foreign Agricultural Service. The total amount transferred from direct appropriation will be \$520,000. The total amount resulting from all transfers pursuant to the proposed reorganization will be \$2,074,000.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted allotment)

	<u>1976</u>	Increase or <u>Decrease</u>	<u>1977 Estimate</u>
Office of the General Sales Manager.....	\$2,529,000	\$ --	\$2,529,000
Annualization of pay cost increases			
effective in FY 1976.....	61,000	23,000	84,000
Total allotment.....	<u>\$2,590,000</u>	<u>\$23,000</u>	<u>\$2,613,000</u>

PROJECT STATEMENT
(On basis of adjusted allotment)

Project	:	:	1976	:	Increase or:	1977
	:	:	1975	:	(estimated):	Decrease : (estimated)
Office of the General Sales Manager:			\$2,525,928		\$2,590,000	+\$23,000(1): \$2,613,000

EXPLANATION OF PROGRAM

In February 1976 the General Sales Manager will become head of an independent Office having direct control of a staff responsible for the following activities:

(1) programs for financing commercial export credit sales, (2) Public Law 480, (3) standby programs for barter, export sales of most CCC-owned commodities, export payments and other programs as assigned to encourage or cause the export of U.S. agricultural commodities and (4) monitoring export sales by private U.S. exporters and publishing data related thereto in compilation form.

Management support functions required by the Office of the General Sales Manager will be provided through the personnel and facilities of the Agricultural Stabilization and Conservation Service, except for certain transitional functions that may be provided by the Foreign Agricultural Service on a reimbursement basis. Program support functions, such as information and analysis on the world supply-demand situation and on foreign market access for and promotion of U.S. agricultural products required by the Office of the General Sales Manager in formulating export sales policies, will be provided through the personnel and facilities of the Foreign Agricultural Service.

The Office of the General Sales Manager will be established pursuant to Section 5(f) of the Charter of the Commodity Credit Corporation and 15 U.S.C. 714-714p.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$23,000 to annualize pay cost increases effective in fiscal year 1976.

Office of the General Sales Manager
Allotment from Commodity Credit Corporation

Note: Subsequent to the printing of the 1977 Budget, the Secretary announced his intention to establish a new Office of the General Sales Manager. These Explanatory Notes have been prepared on the basis of the proposed reorganization which will transfer certain functions from the Foreign Agricultural Service to the new OGSM. All differences from the printed budget will be footnoted.

Available, 1976..... \$1,036,000

Adjustment in 1976:

Activities transferred from Foreign Agricultural Service: ^{a/}	
Limitation on Administrative Expenses.....	1,554,000
Adjusted allotment base, 1976.....	2,590,000
Allotment Estimate, 1977.....	<u>2,613,000^{a/}</u>
Increase.....	<u>\$ +23,000</u>

^{a/}In addition, \$520,000 will be transferred from the Foreign Agricultural Service for the Export Sales Reporting function.

The Commercial Export, Public Law 480 and Commercial Credit activities will continue to be paid from CCC funds. The FAS allotment from CCC will be reduced by \$1,554,000 to cover the above activities. The Export Sales Reporting function will be paid from funds transferred from the direct appropriation account of the Foreign Agricultural Service. The total amount transferred from direct appropriation will be \$520,000. The total amount resulting from all transfers pursuant to the proposed reorganization will be \$2,074,000.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted allotment)

	1976	Increase or Decrease	1977 Estimate
Office of the General Sales Manager.....	\$2,529,000	\$ --	\$2,529,000
Annualization of pay cost increases effective in FY 1976.....	61,000	23,000	84,000
Total allotment.....	<u>\$2,590,000</u>	<u>\$23,000</u>	<u>\$2,613,000</u>

PROJECT STATEMENT
(On basis of adjusted allotment)

Project	:	:	1976	:	Increase or	:	1977
	:	:	1975	:	(estimated):	:	Decrease (estimated)
Office of the General Sales Manager:			\$2,525,928		\$2,590,000		+\$23,000(1): \$2,613,000

EXPLANATION OF PROGRAM

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JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$23,000 to annualize pay cost increases effective in fiscal year 1976.

STATUS OF PROGRAM

The Office of the General Sales Manager is responsible for policy formulation and program administration for the Department of Agriculture in those Public Law 480 activities for which the Department has been assigned major responsibility. Generally, the Department has primary programming responsibility for the Title I concessional sales program and AID has comparable responsibility for the Title II donations program. Title I operational activities are also the responsibility of the Department while Title II operational activities are the joint responsibility of the Department and AID.

A. Title I Objectives: To Assist in the Economic Development of Friendly Countries and Otherwise Serve the Foreign Policy Needs of the United States, to Expand International Trade and to Develop and Expand Dollar Export Markets for U.S. Agricultural Commodities in Order to Improve Farm Income and Assist the U.S. Balance of Payments. The emphasis of each objective varies from year to year depending upon the supply/demand situation and other factors.

1. Title I Shipments Show Upward Trend. Title I shipments in FY 1975 increased significantly over FY 1974 as a result of a decision made early in 1975 to increase total funds available for the Public Law 480 program. FY 1975 Title I shipments reached nearly 3.6 million tons, up from 2.1 million tons in FY 1974. Wheat (2.7 million metric tons) and rice (769,000 tons) were the primary commodities shipped under Title I, reflecting their improved supply situation. Wheat programming for FY 1976 and the Transitional Quarter (TQ) is expected to result in shipments in the range of four to five million metric tons, grain equivalent basis. Rice shipments are programed at about 850,000 tons. The Title I commodity ceiling for FY 1976 is \$983 million, as compared with FY 1975 shipments of \$758 million; the addition of funds available for the TQ brings the total amount available for the 15-month period to \$1,107 million. Of that amount about \$486 million had either been shipped or committed under signed agreements by the end of calendar year 1975.

2. New Legislation Emphasizes Concessional Aid to Poorer Countries. The International Development and Food Assistance Act of 1975, approved December 20, 1975, allows not more than 25 percent of Title I food commodities to be included in agreements with countries whose gross national product per capita is more than \$300, as determined annually by the World Bank. In addition, the Act permits forgiveness of Title I debt of up to 15 percent of the total value of all Title I agreements signed in any fiscal year, to the extent that countries use sales proceeds generated by Title I commodities to finance self help measures. These two aspects of the new legislation have increased the humanitarian emphases and concessional nature of Title I programming.

B. Title II Objectives: To Provide Humanitarian Relief; To Combat Malnutrition, Especially in Vulnerable Groups; To Promote Economic and Community Development and to Support School Lunch and Pre-School Feeding Programs in Less Developed Countries.

1. Increases in Title II Shipments. Title II shipments also increased in value in FY 1975 to \$331 million, from \$282 million in FY 1974. About \$411 million is set aside for FY 1976 and the Transitional Quarter. The program continued its emphasis on nutritional impact and support of development objectives, while at the same time providing humanitarian assistance to the poorest segments in the recipient countries. Humanitarian assistance was provided in such places as Honduras, the Sahelian countries in West Africa, East African countries, and India. Efforts were continued to better establish integrated health and nutritional delivery systems making use of Title II donated foods. In connection with the humanitarian emphases of the International Development and Assistance Act noted above, Title II programs must provide for a minimum of 1.3 million metric tons to be shipped annually. However, generally favorable crop outturns worldwide in calendar 1975 have reduced the need for emergency shipments of Title II commodities.

2. Support for Department Supply Objectives and Future Commercial Markets. The Title II program has also been effective in supporting Department supply-management objectives. For example, in fiscal 1975, almost 45,000 tons of nonfat dry milk were used from Commodity Credit Corporation stocks in the Title II program, and in FY 1976 most of the vegetable oil distributed will be CCC-owned peanut oil. Title II shipments, as in the past, continue to provide many processed commodities, especially soy-fortified and blended foods. Such commodities seem to be increasing in acceptability and, thus, may result in market development opportunities.

COMMERCIAL EXPORT PROGRAMS

Under authority of the CCC Charter Act and related legislation, this program area formulates and administers the sales from CCC stocks, the export payment, the barter and the CCC export credit sales program. Of these, only the export credit sales program is active. Under Section 812 of the Agricultural Act of 1970, as amended, the program area receives and releases in compilation form, weekly reports on export sales and related data from exporters of 28 agricultural commodities. It also administers the daily reporting of significant sales of 7 commodities.

A. Objective: Increase Exports of Selected Agricultural Commodities to Assist in Meeting the Department's U.S. Export Goals.

1. Liquidation of Barter Program Contracts. The Barter Program was temporarily suspended as of July 1, 1973, because of a determination that the current world supply and demand situation negates the need for use of barter export assistance to meet foreign competition. Present prospects make it unlikely that the program will be reactivated in the foreseeable future. Exports during FY 1974 (\$293.8 million) and FY 1975 (\$4.6 million) will complete existing barter contracts.

2. CCC Credit: Financing Reduced In FY 1975 with Increases Planned for FY 1976.

A. FY 1975.

Agricultural exports under the CCC Export Credit Sales Program for FY 1975 amounted to \$249 million, a 16 percent reduction from \$298 million in FY 1974, and a 76 percent reduction from \$1,029 million during the peak year 1973. Of the \$249 million financed in FY 1975, approximately \$52.8 million was done under six and twelve-month repayment terms. Cotton, tobacco and rice made up about 73 percent of total financing. Credits were utilized where financing was needed to maintain U.S. markets.

B. FY 1976.

On December 4, the budget authorization was increased to \$900 million, to assist lagging export demand and prevent record 1975 crops from drastically increasing year-end stocks of most commodities. With the fiscal year half over, credit has been announced totaling \$492 million.

3. Affects of Trade Act of 1974. The enactment of the Trade Act of 1974 which placed new limitations on trade with Communist countries was also a factor hindering additional CCC credit activity. Credit and prospective business with most East European countries was barred with the exception of Poland and Yugoslavia who already had most-favored-nation status.

4. CCC Credit Used to Assure Shipment of Sales to be Cancelled. Financing under the program was used to obtain written Assurances from South Korea, Taiwan, and the Philippines that contracts for the export of cotton would be honored. These countries had purchased for later shipment nearly one million bales. Cotton prices plummeted and buyers refused to honor their obligations--in most cases because they lacked funds. A team was able to negotiate assurances from these governments that their mills would recognize the sanctity of contracts. An additional \$110 million of credit was provided to assist our customers abroad. As of November 28, 1975, this resulted in assured exports of U.S. cotton valued at \$235 million with more to come.

B. Objective: To Compile and Publish Reliable and Timely Summary Information and Analysis on Export Sales and Related Transactions Made by Private U.S. Exporters of Specified Agricultural Commodities.

1. Major Improvements in Publication of Export Sales Information. As part of the overall effort to provide more comprehensive, useful information, a number of improvements have been made in the weekly publication, "U.S. Export Sales." Analytical narrative comments have been expanded and refined and other information added: accumulated export data for most destinations, a summary of the current week's activity and a variety of charts, graphs and tables depicting sales and export data judged to be of general public interest.

2. Daily Reporting System Provides Early-Warning of USSR Grain Sales. The requirement that large export sales of U.S. grains, soybeans and soybean meal be reported promptly by telephone to the Export Sales Division provided early-warning of the Soviet purchases of U.S. wheat and corn beginning in July 1975. This early-warning system--in effect since October 1974--made it possible to release information on these sales within hours after reports were received by the Department.

UNITED STATES DEPARTMENT OF AGRICULTURE

DETAILED STATEMENT OF OBLIGATIONS

Agency: Office of the General Sales Manager

LOCATION	:	:	:	:
Appropriation	:	1975	:	1976
Financial Project	:	Obligated	:	Estimated
	:		:	Estimated
DISTRICT OF COLUMBIA:	:	:	:	:
Commodity Credit Corporation	:	:	:	:
(Limitation on Administrative	:	:	:	:
Expenses):	:	:	:	:
Office of the General Sales	:	:	:	:
Manager.....	:	\$2,525,928	:	\$2,590,000
	:		:	\$2,613,000
Transfer from Foreign Agricul-	:	:	:	:
tural Service:	:	:	:	:
Office of the General Sales	:	:	:	:
Manager.....	:	463,000	:	520,000
	:		:	520,000
TOTAL, DISTRICT OF COLUMBIA.....	:	\$2,988,928	:	\$3,110,000
	:		:	\$3,133,000
SUMMARY:	:	:	:	:
COMMODITY CREDIT CORPORATION	:	:	:	:
(Limitation on Administrative	:	:	:	:
Expenses):	:	:	:	:
Office of the General Sales	:	:	:	:
Manager.....	:	\$2,525,928	:	\$2,590,000
	:		:	\$2,613,000
Transfer from Foreign Agricul-	:	:	:	:
tural Service:	:	:	:	:
Office of the General Sales	:	:	:	:
Manager.....	:	463,000	:	520,000
	:		:	520,000
TOTAL OBLIGATIONS, OFFICE OF	:	:	:	:
THE GENERAL SALES MANAGER....	:	\$2,988,928	:	\$3,110,000
	:		:	\$3,133,000

FOREIGN ASSISTANCE PROGRAM AND
SPECIAL EXPORT PROGRAM
(PUBLIC LAW 480)

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The laws also authorize appropriations to be made to cover costs of such programs. When funds become available advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual needs, the excess is used to reduce future appropriation requests. If the appropriations are less than actual needs, other Corporation funds may be used temporarily to finance the balance of the costs.

PUBLIC LAW 480

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended.

1. Sales of agricultural commodities for foreign currencies and for dollars on credit terms are made under Title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended (7 U.S. C. 1701-1710).

Title I of the legislation authorizes sales for dollars on credit terms or for foreign currencies. Sales for dollars on credit terms may be made with foreign governments or U.S. and foreign private trade entities. Credit terms as favorable to the United States as the economy of the foreign country will permit; but not less than for development loans made under section 201 of the Foreign Assistance Act of 1961, as amended, are allowed under the legislation.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1725)--Commodities are supplied without cost to friendly nations and friendly peoples in times of famine or other emergency relief needs, to combat malnutrition, and to promote economic and community development in underdeveloped countries. The Corporation pays ocean freight on shipments under this Title. Each year, up to \$7.5 million of foreign currencies accruing under Title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

SPECIAL EXPORT PROGRAM

Bartered materials for supplemental stockpile (7 U.S.C. 1856).--Under Title II of the Agricultural Act of 1956, the Corporation transferred strategic and other materials to the supplemental stockpile. These materials were acquired from the barter and exchange of farm products. This does not cover materials acquired for the national stockpile or for other purposes. No contracts for the supplemental stockpile have been signed since 1968 and none are planned. The last appropriation was enacted in the 1971 Agricultural Appropriation Act. This program was liquidated in fiscal year 1971 by application of CCC receipts from damages paid by barter contractors.

The program has now been redirected to reimbursable offshore procurement for other Government agencies instead of procurement for the supplemental stockpile. Effective at the beginning of fiscal year 1974, barter program contract negotiations were suspended. Program costs for 1975 represent completion of shipments under contracts made prior to the suspension.

Available Funds, 1975
and Estimated 1976 and 1977

Item	Actual 1975	Estimated Available, 1976	Budget Estimate, 1977
Foreign Assistance Programs (P.L. 480):			
Sales for foreign currencies and for dollars on credit terms (Title I)	\$767,227,811	\$1,019,400,140	\$899,900,000
Commodities supplied in connection with dispositions abroad (Title II)	460,386,532	460,239,433	386,410,000
Total program level	1,227,614,343	1,479,639,573	1,268,310,000
Costs financed from receipts, prior year balances and CCC funds (net) .	-449,141,343	-389,722,573	-117,055,000
Total appropriation (P.L. 480) ..	778,473,000	1,089,917,000	1,169,255,000

Public Law 480

	<u>Sale of Agricultural Commodities for Foreign Currencies and for Dollars on Credit Terms</u>	<u>Commodities Supplied in Connection with Dispositions Abroad</u>	<u>Total</u>
Appropriation Act, 1976 ...	\$449,466,000	\$640,451,000	\$1,089,917,000
Budget Estimate, 1977	<u>680,465,000</u>	<u>488,790,000</u>	<u>1,169,255,000</u>
Increase or decrease in Appropriation	<u>+230,999,000</u>	<u>-151,661,000</u>	<u>+79,338,000</u>

SUMMARY OF INCREASES AND DECREASES

(On the basis of appropriation)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$449,466,000	+\$230,999,000	\$680,465,000
Commodities supplied in connection with dispositions abroad (Title II)	<u>640,451,000</u>	<u>-151,661,000</u>	<u>488,790,000</u>
Total, available	<u>1,089,917,000</u>	<u>+79,338,000</u>	<u>1,169,255,000</u>

PROJECT STATEMENT

(On the basis of appropriation)

Project	1975	1976	Increase or Decrease	1977 (Estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$425,175,000	\$449,466,000	+\$230,999,000	\$680,465,000
2. Commodities supplied in connection with dispositions abroad (Title II)	353,298,000	640,451,000	-151,661,000	488,790,000
Total available or estimated	<u>778,473,000</u>	<u>1,089,917,000</u>	<u>+79,338,000</u>	<u>1,169,255,000</u>

The preceding project statement was prepared on an appropriation basis. The following schedule reflects obligations under available funds.

PROJECT STATEMENT
(On the basis of available funds)

Project	1975	1976 (Estimated)	Increase or Decrease	1977 (Estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$767,227,811	\$1,019,400,140	-\$119,500,140	\$899,900,000
2. Commodities supplied in connection with dispositions abroad (Title II)	460,386,532	460,239,433	-73,829,433	386,410,000
Total program level	1,227,614,343	1,479,639,573	-193,329,573	1,286,310,000
Adjustments to appropriations:				
Title I:				
Receipts from sale of foreign currencies and loan repayments used to finance the program.	-293,715,461	-268,500,000	-21,900,000	-290,400,000
Unobligated balances (includes balances in the Corporation):				
Brought forward	-287,159,490	-238,822,140	+238,822,140	---
Carried forward	238,822,140	---	---	---
Costs brought forward ..	---	---	---	---
Costs carried forward ..	---	-62,612,000	+62,612,000	---
1976 transition costs carried forward	---	---	+70,965,000	70,965,000
Title II:				
Costs brought forward ..	166,783,035	273,871,567	-273,871,567	---
Costs carried forward ..	-273,871,567	-93,660,000	+93,660,000	---
1976 transition costs carried forward	---	---	+102,380,000	102,380,000
Total, appropriation	778,473,000	1,089,917,000	+79,338,000	1,169,225,000

The preceding project statement reflects estimated obligations on the basis of available funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities and similar factors.

The amounts provided in the appropriations are not fully controlling since the basic law permits the Government to enter into agreements involving expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of "available" agricultural commodities are made to friendly countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for shipments under P.L. 480 was extended through December 31, 1977, by Public Law 93-86, approved August 10, 1973.

TITLE I

The Corporation finances all sales made pursuant to agreements concluded under Title I. Sales are made to friendly countries-- as defined in section 103(d) of the act--and must not displace expected commercial sales for cash dollars (secs. 103 (c) and (n)). No sales may be made to North Vietnam except as authorized by Act of Congress enacted after July 1, 1973.

No agreements may be entered into after December 31, 1977 (sec. 409), and agreements may not be made under Title I in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1.9 billion, plus unused prior years' authorizations.

In accordance with the act, a progressive shift from foreign currency sales to dollar credit sales was completed by December 31, 1971. To the extent that transition from foreign currency sales to dollar credit sales is not possible, transition to convertible foreign currency credit sales is authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement. Program costs for foreign currency sales represent adjustments of shipments under sales agreements signed before January 1, 1972.

Agricultural commodities sold under Title I are paid for either in U. S. dollars with interest on credit terms up to 20 years, with a grace period of up to two years or in dollars or foreign currency convertible to dollars with interest on credit terms up to 40 years, with a grace period of up to ten years.

Whenever practicable, terms of agreements must require payments at time of delivery of not less than 5% of the purchase price in dollars or in currencies convertible to dollars. These initial payments are applied against costs to reduce appropriation requests. On credit agreements under Title I, the President is authorized to require payment upon delivery in dollars or foreign currencies of amounts needed for payment of U. S. obligations and certain other purposes.

In the case of sales agreements entered into under Title I of the act, the Corporation will finance ocean freight charges only to the extent of the differential between U. S. - flags rates and foreign-flag rates when U. S. - flag vessels are required to be used and will not finance any portion of the ocean freight in any other case.

Of the 1975 appropriation of \$425,175,000, no more than 10 percent of that amount was authorized to be made available to any one country during fiscal year 1975.

Section 509 of Public Law 86-500, approved June 8, 1960 (7 U.S.C. 1704b note) provides that at least 75 percent of the total cost of foreign military housing projects (unless otherwise specified) shall be paid from foreign currencies acquired under Title I. Pursuant to 10 U.S.C. 2681 (b), as amended, the estimate reflects transfer to the Corporation of \$6 million each year to liquidate amounts due. Of this amount, \$2 million will be applied to the French housing barter transaction and the remaining \$4 million will be applied against other amounts due, with a balance of \$19 million remaining unpaid as of June 30, 1976.

Sale of agricultural commodities for dollars on credit terms. --In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations, financial institutions acting on behalf of such nations, or with United States and foreign private trade entities. Repayments, including interest at minimum rates set by law, may be made in dollars for up to 20 years, or in foreign currency convertible to dollars for up to 40 years. Under certain conditions, the President is authorized to require payment upon delivery, in dollars, or in foreign currencies, or amounts needed for payment of U.S. obligations and certain other purposes. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

Agreements may not be entered into under this title in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1,900 million plus unused prior years' authorizations of \$11,421 million as of December 31, 1975.

TITLE II

Under Title II of Public Law 480, as amended, Commodity Credit Corporation-owned commodities are supplied to meet famine or other urgent relief requirements, combat malnutrition, promote economic and community development in developing areas, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States commitment to the World Food Program. Commodities not available in CCC stocks for donation may be purchased for this purpose. As far as practicable, such dispositions are made through nonprofit voluntary agencies. Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Appropriations are authorized to reimburse the Corporation for costs incurred.

Programs of assistance shall not be undertaken under this title during any calendar year which call for an appropriation to reimburse the Corporation in excess of \$600 million plus unused prior year's authorizations of \$253 million as of December 31, 1975.

Status of Authorizations for Appropriations (In millions)

	<u>P.L. 480</u>	
	<u>Title I</u>	<u>Title II</u>
Unused prior years' authorizations, December 31, 1975 (estimate)	\$11,421	\$253
Annual authorization contained in Public Law 480, as amended - calendar year 1976	<u>1,900*</u>	<u>600</u>
Total authorization available through December 31, 1976	<u>13,321</u>	<u>853</u>

JUSTIFICATION OF INCREASES AND DECREASES

1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I):

Item	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs:				
Foreign currency	--	--	--	--
Long-term credit	\$745,151,945	\$955,800,000	-\$117,400,000	\$838,400,000
Total commodity costs	745,151,945	955,800,000	-117,400,000	838,400,000
Ocean transportation:				
Foreign currency	-587,168	--	--	--
Long-term credit	22,663,034	63,600,140	-2,100,140	61,500,000
Total ocean transportation	22,075,866	63,600,140	-2,100,140	61,500,000
Total expenses of shipments:				
Foreign currency	-587,168	--	--	--
Long-term credit	767,814,979	1,019,400,140	-119,500,140	899,900,000
Total	767,227,811	1,019,400,140	-119,500,140(1)	899,900,000
<u>Financing:</u>				
Receipts from:				
Sale of foreign currency .	-122,358,646	-97,500,000	+8,000,000	-89,500,000
Repayments on long-term credit	-171,356,815	-171,000,000	-29,900,000	-200,900,000
Subtotal	-293,715,461	-268,500,000	-21,900,000	-290,400,000
1974 funds available for 1975 costs:				
Long-term credit	-287,159,490	--	--	--
1975 funds available for 1976 costs:				
Long-term credit	238,822,140	-238,822,140	+238,822,140	--
1976 costs financed from 1976 transition quarter funds:				
Long-term credit	--	-62,612,000	+62,612,000	--
1976 transition quarter costs financed from 1977 funds:				
Long-term credit	--	--	+70,965,000	70,965,000
Net financing	-342,052,811	-569,934,140	+350,499,140	-219,435,000
Total available or estimate.	425,175,000	449,466,000	+230,999,000	680,465,000

The preceding schedule reflects a combined appropriation for sales for foreign currencies and sales for dollars on credit terms. A decrease of \$119,500,140 in program level in 1977 is reflected, and the appropriation requested is \$230,999,000 more than the appropriation for 1976.

The 1975 appropriation was \$238,822,140 more than 1975 costs after crediting \$293,715,461 of proceeds from sales of foreign currencies and dollar repayments from foreign governments and \$287,159,490 of 1974 funds brought forward to 1975 program costs.

The 1976 appropriation is expected to be \$62,612,000 less than estimated 1976 program costs after application of \$238,822,140 of 1975 funds available \$97,500,000 of proceeds from sales of foreign currencies and \$171,000,000 of dollar repayments from foreign governments.

Program costs for foreign currency sales represent adjustments of final shipments under agreements signed before January 1, 1972.

The estimates for 1977 program activity reflect estimated receipts of \$89,500,000 from sales of foreign currencies and loan repayments, \$200,900,000 repayments from foreign governments and private trade entities, and \$70,965,000 of 1976 transition costs financed from the 1977 appropriation

(1) A net decrease of \$119,500,140 in program level in 1977 consisting of:

(a) A decrease of \$117,400,000 in commodity costs (\$955,800,000 available in 1976). Major changes from 1976 estimates in estimated shipments and commodity costs are as follows:

	Change in Estimated Shipments		Change in Cost of Shipments
		(in thousands)	
<u>Increases:</u>			
Feed grains	+55 sh. tons		+\$4,332
Vegetable oil products	+82,647 lbs.		+13,779
Tobacco	+1,763 lbs.		+3,923
Total increases	<u>xxx</u>		<u>+22,034</u>
<u>Decreases:</u>			
Wheat	-3,542 bu.		-\$87,519*
Rice	-3,307 cwt.		-41,230*
Blended food products	-11,053 lbs.		-1,500
Cotton, total	-35 bales		-8,785
Initial payments to exporters	<u>xxx</u>		<u>-400</u>
Total decreases	<u>xxx</u>		<u>-139,434</u>
Net decreases	<u>xxx</u>		<u>-117,400</u>

* Also reflects lower unit price.

(b) A decrease of \$2,100,140 in ocean transportation (\$63,600,140 available in 1976): This reflects a decrease of about 170 thousand metric tons in commodity shipments (mainly rice).

Costs incurred include the following:

- (a) Payment at export prices for commodities shipped.
- (b) Differential between domestic market price and the competitive world price on commodities exported, where applicable.
- (c) Authorized ocean freight differential on shipments made in U.S.-flag vessels

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1975, 1976, and 1977. (Note -- The reductions shown for the adjustment for initial payments to exporters are authorized in Title I, Section 103(k). This initial payment is made directly to the exporters by the importers. The Corporation does not receive these payments.):

Public Law 480, Title I,
Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1975-1977:

Commodity	Unit of Measure	1975 Actual		1976 Estimate		1977 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	412,489	\$1,717,808	1,968,000	\$5,904,000	3,937,000	\$10,236,000
Grain sorghum	bushel	--	-9,691	--	--	--	--
Total feed grains	sh. ton	11,550	1,708,117	55,104	5,904,000	110,236	10,236,000
Wheat	bushel	100,901,014	406,572,082	150,242,000	600,969,000	146,700,000	513,450,000
Rice	cwt.	16,239,648	282,789,189	17,637,000	250,445,000	14,330,000	209,215,000
Cotton, upland	bale	53,253	14,767,655	232,000	69,600,000	200,000	62,000,000
Cotton, extra-long staple	bale	--	--	3,000	1,185,000	--	--
Cotton products	pound	--	1,610	--	--	--	--
Blended food products	pound	--	--	11,053,000	1,500,000	--	--
Vegetable oils	pound	64,716,736	21,329,410	192,904,000	38,581,000	275,578,000	52,360,000
Tobacco (total)	pound	14,613,451	17,983,882	9,260,000	14,816,000	11,023,000	18,739,000
Initial payment to exporters	xxxx	--	--	--	-27,200,000	--	-27,600,000
Total commodity costs		xxx	745,151,945	xxx	955,800,000	xxx	838,400,000
Ocean transportation:							
Foreign currency	met. ton	--	-587,168	--	--	--	--
Long-term credit	met. ton	a/ 1,848,543	22,663,034	b/ 2,544,485	63,600,140	b/ 2,458,966	61,500,000
Total expenses of shipments .		xxx	767,227,811	xxx	1,019,400,140	xxx	899,900,000

a/ Represents 52.2% of shipments on U.S. flag vessels at average rate.

b/ Represents 50% of shipments on U.S. flag vessels at average rate.

The following table shows the composition of costs incurred, receipts, and amounts owed by foreign governments and private trade entities on long-term credit sales for fiscal years 1975, 1976, 1976 transition quarter and 1977:

Item	1975	1976 (estimated)	1976 Tr. Qtr. (estimated)	1977 (estimated)
Balance outstanding, start of year:				
Principal	\$3,438,188,865	\$3,953,643,301	\$4,821,469,804	\$4,933,580,522
Interest	39,041,818	43,985,127	51,892,413	54,303,195
Total	3,477,230,683	3,997,628,428	4,873,362,217	4,987,883,717
Costs incurred during year:				
Principal	757,727,185	955,800,000	118,498,000	838,400,000
Interest	78,742,913	90,933,789	27,723,500	113,472,363
Total	836,470,098	1,046,733,789	146,221,500	951,872,363
Repayments:				
Principal	-242,272,749	-87,973,497	-6,387,282	-97,294,799
Interest	-73,799,604	-83,026,503	-25,312,718	-103,605,201
Total	-316,072,353	-171,000,000	-31,700,000	-200,900,000
Balance outstanding, end of year:				
Principal	3,953,643,301	4,821,469,804	4,933,580,522	5,674,685,723
Interest	43,985,127	51,892,413	54,303,195	64,170,357
Total	3,997,628,428	4,873,362,217	4,987,883,717	5,738,856,080

2. Commodities supplied in connection with dispositions abroad (Title II):

Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation. No donations of agricultural commodities may be made to North Vietnam except as authorized by Act of Congress enacted after July 1, 1973.

Item	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs	\$331,275,510	\$342,243,000	-\$69,833,000	\$272,410,000
Ocean transportation	126,634,933	115,996,433	-3,996,433	112,000,000
Total expenses of shipments	457,910,443	458,239,433	-73,829,433	384,410,000
Purchase of foreign cur- rencies for use in self- help activities	2,476,089	2,000,000	--	2,000,000
Total program	460,386,532	460,239,433	-73,829,433 (1)	386,410,000
<u>Financing:</u>				
1974 costs financed from 1975 appropriation ..	166,783,035	--	--	--
1975 costs financed from 1976 appropriation ..	-273,871,567	273,871,567	-273,871,567	--
1976 costs to be financed from 1976 transition quarter	--	-93,660,000	+93,660,000	--
1976 transition quarter costs to be financed from 1977 appropriation	--	--	+102,380,000	102,380,000
Net financing	-107,088,532	+180,211,567	-77,831,567	+102,380,000
Total available or estimate	353,298,000	640,451,000	-151,661,000	488,790,000

The preceding schedule reflects a decrease of \$73,829,433 in program level in 1977 below the 1976 level as explained below.

It is estimated that at the end of fiscal year 1976 there will remain unpaid 1976 program costs of \$93,660,000 to be financed from the 1977 appropriation. The estimate of reduced program activity in fiscal year 1977, with the unpaid prior year's costs, will result in a decrease of \$151,661,000 in the appropriation requested for 1977.

INCREASES AND DECREASES

(1) A decrease of \$73,829,433 in program level in 1977 consisting of:

(a) A decrease of \$69,833,000 in commodity costs (\$342,243,000 available in 1976). Changes in estimated shipments and commodity costs are as follows:

	Change in Estimated Shipments		Change in Cost of Shipments
		(In thousands)	
<u>Increases:</u>			
Wheat and products	+5,687	bu. eq.	+\$13,531
Soybean products	+8,686	lbs.	+1,313
Total increases	xxx		+14,844
<u>Decreases:</u>			
Feed grains and products	-154	sh. tons	-31,244
Blended food products	+125,642	lbs.*	-8,295
Dried milk	-7,100	lbs.	-4,300
Vegetable oil products	+21,444	lbs.**	-40,838
Total decreases	xxx		-84,677
Total net decreases	xxx		-69,833

* Reflects lower unit price.

** Reflects shift from peanut oil to vegetable oil products at lower unit price.

(b) A decrease of \$3,996,433 in ocean transportation (\$115,996,433 available in 1976). This reflects an increase of about 75 thousand metric tons in commodities shipped, more than offset by lower rate per ton.

Costs incurred-- Costs include the following:

- Payment to the Corporation for its investment in making commodities available. This includes acquisition costs, storage, processing, packaging, inland transportation and handling charges.
- Authorized ocean transportation costs from U.S. ports to designated ports of entry abroad. This may include transportation to designated points of entry in landlocked countries.
- Purchase of foreign currencies for use in self-help activities.

The following table reflects estimated expenses of shipments by commodity:

Public Law 480, Title II, Expenses of shipments, 1975-1977:

Commodity	Unit of Measure	1975 Actual		1976 Estimate		1977 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	1,476,120	\$4,861,897	2,997,000	\$8,929,000	2,072,000	\$5,559,000
Corn products <u>a</u> /	bu. equiv.	1,987,560	5,736,001	2,589,000	7,781,000	1,935,000	5,511,000
Grain sorghum	bushel	4,165,215	14,759,747	4,345,000	21,292,000	2,289,000	10,000,000
Sorghum products <u>b</u> /	bu. equiv.	3,239,034	10,632,212	7,134,000	20,763,000	4,215,000	11,346,000
Oats	bushel	--	220	--	--	--	--
Oat products <u>c</u> /	bu. equiv.	2,603,880	7,338,407	3,974,000	10,538,000	2,230,000	5,643,000
Total feed grains	sh. tons	263,415	43,328,484	390,178	69,303,00	236,292	38,059,000
Wheat							
Wheat	bushel	5,572,657	17,961,449	8,045,000	37,555,000	10,089,000	39,648,000
Wheat flour <u>d</u> /	bu. equiv.	11,450,104	61,488,902	6,928,000	34,781,000	6,582,000	30,060,000
Bulgur <u>e</u> /	bu. equiv.	11,036,159	60,482,588	8,942,000	48,052,000	12,931,000	64,211,000
Rolled wheat <u>f</u> /	bu. equiv.	--	-7,269	--	--	--	--
Total wheat and products	bu. equiv.	28,058,920	139,925,670	23,915,000	120,388,000	29,602,000	133,919,000
Rice, milled							
Rice, milled	cwt.	123,958	2,542,778	--	--	--	--
Blended food products	pound	267,620,786	41,629,703	397,383,000	74,538,000	523,025,000	66,243,000
Soybean products	pound	1,867,442	303,499	1,574,000	300,000	10,260,000	1,613,000
Milk, dried							
Milk, dried	pound	97,738,265	60,117,279	7,100,000	4,300,000	--	--
Vegetable oil products	pound	91,173,026	43,428,097	<u>E</u> / 99,208,000	73,414,000	120,652,000	32,576,000
Total commodity costs	xxx	xxx	331,275,510	xxx	342,243,000	xxx	272,410,000
Ocean transportation	met. tons	1,110,709	126,634,933	1,164,500	115,996,433	1,239,282	112,000,000
Total expenses of shipments	xxx	xxx	457,910,433	xxx	458,239,433	xxx	384,410,000
a/ Cornmeal							
a/ Cornmeal	pound	62,847,459		81,940,000		61,233,000	
b/ Sorghum grits	pound	90,729,250		199,836,000		118,069,000	
c/ Rolled oats	pound	57,291,100		87,428,000		49,066,000	
d/ Wheat flour	pound	516,235,548		312,371,000		296,733,000	
e/ Bulgur	pound	600,443,900		486,533,000		703,527,000	
f/ Rolled wheat	pound	--		--		--	
g/ Peanut oil.							

SPECIAL EXPORT PROGRAM

The Commodity Credit Corporation conducted a special export program for bartered materials for the supplemental stockpile from 1957 through 1971. Costs of the final transfer of materials made in 1971 were reimbursed from the 1971 appropriation and other funds available.

Barter activities are now limited to barter for offshore procurement for other Government agencies on a reimbursable basis. Under this program, the Corporation pays an "offshore procurement premium" for the export of certain commodities.

Effective at the beginning of fiscal year 1974, barter program contract negotiations have been suspended. Commodity shipments for 1975 represent completion of shipments under contracts made prior to the suspension.

The following table shows actual and estimated activity, 1975 and 1976:

Commodities Bartered for Offshore Procurement for Other Government Agencies
(In thousands)

Commodity	Unit of Measure	1975		1976 Estimate	
		Quantity	Value	Quantity	Value
Cotton, upland	bale	23	\$4,428	-	-
Tobacco, total	pound	221	215	-	-
Tallow or grease	pound	196	49	-	-
Total <u>1/</u>	xxx	xxx	4,692	-	-

1/ Distribution as follows:

For offshore procurement (paid by other sources)	\$4,692	-
Offshore premiums (information only)	<u>(635)</u>	-
Total	<u>4,692</u>	<u> </u>



AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service (ASCS) was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913).

The ASCS conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASCS State Committees in the 50 States and a total of 3,053 county committees. The Washington headquarters offices and various field offices, including the Kansas City (Prairie Village) commodity office and Data Systems field offices are the principal staff offices for carrying out CCC activities. Such functions include accounting for loans and purchases; acquisition, management, storage and disposition of commodities; and related transportation and accounting activities.

Following are the principal appropriations, programs, and other funding related to ASCS operations:

1. Salaries and Expenses, ASCS. This appropriation funds the administrative expenses of programs administered by, and the functions assigned to, ASCS. The account was established by the Agricultural Appropriation Act of 1963 (P.L. 87-879) to simplify budgetary and accounting requirements and record-keeping. Under the Agricultural Appropriation Act of 1964 (P.L. 88-250) all additional sources of administrative expense funds, including those transferred from the Commodity Credit Corporation capital funds and administrative expense limitation, were authorized to be merged with this appropriation account.
2. Sugar Act Program. This program was authorized by the Sugar Act of 1948, as amended, which expired December 31, 1974. The 1974 Sugar Crop was the last crop year for which payments were authorized. The majority of payments for this crop year were made in FY 1975, but some payments will be made in FY 1976 from available funds. Based upon final program payments in FY 1976, the remaining balance of funds will be returned to the Treasury (lapsed) in FY 1977.
3. Cropland Adjustment Program. This program was authorized in title VI of the Food and Agriculture Act of 1965 which expired at the end of 1970. Its purpose was to assist farmers, through long-term agreements, to divert land from the production of certain crops to more needed uses that promoted the development and conservation of our soil, water, forest, wildlife, and recreational resources. Sign-up was in 1966 and 1967 when 3.8 million acres were placed under agreements, the last of which will expire in the fiscal year 1977. Under Greenspan, grants were made to local and State agencies to purchase cropland for public benefit uses.
4. Dairy and Beekeeper Indemnity Program. Beginning January 1, 1964, the Secretary was authorized to make indemnity payments at the fair market value to dairy farmers who were directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use, provided such removal was not the result of willful failure to follow procedures prescribed by the Federal Government.

The Agriculture and Consumer Protection Act of 1973 extended the milk indemnity payment program through June 30, 1977, and authorized indemnification payments, beginning with the date of enactment, to manufacturers of dairy

products who have been directed to remove their products because they contained residues of chemicals registered and approved for use by the Federal Government. The Act also added provision for indemnity payments to dairy farmers for cows producing contaminated milk.

The Agricultural Act of 1970 authorized indemnity payments to beekeepers who, through no fault of their own, suffered losses of honey bees after January 1, 1967, as a result of utilization of economic poisons near the property on which the beehives of such beekeepers were located. The Agriculture and Consumer Protection Act of 1973 extended the authority until December 31, 1977.

5. Agricultural Conservation Program. This program is authorized by the provisions of sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The Act aims at building the productive capacity of soil, conserving agricultural soil and water, and other environmental enhancement actions. Costs are shared with individual (or groups of) farmers, ranchers, and woodland owners who perform approved soil-building and soil-and-water-conserving practices on their lands.

Sections 1001 to 1008 of the Agriculture and Consumer Protection Act of 1973 authorize programs to encourage farmers and ranchers to carry out annual and long-term plans that would emphasize conservation benefits of national concern, and achieve desirable land-use adjustments. Section 1010 authorizes appropriations for this purpose.

6. Forestry Incentives Program. This program is authorized by section 1009 of the Agriculture and Consumer Protection Act of 1973. Its purpose is to encourage the development, management and protection of non-industrial private forest lands. Section 1010 limits appropriations for this program to \$25 million annually.

7. Water Bank Program. The Water Bank Act (P.L. 91-559) approved December 19, 1970, authorizes a continuous program to prevent the serious loss of wetlands and to preserve, restore and improve wetlands beginning July 1, 1971. Agreements are entered into with landowners and operators in important migratory waterfowl nesting and breeding areas for the conservation of specified wetlands. The agreements are for ten-year periods with provision for renewals for additional periods.

8. Emergency Conservation Measures. This program is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959. Its objective is to restore to normal agricultural use farmlands designated by the ASC county committees, which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. To this end, costs are shared with farmers for carrying out approved practices.

9. Commodity Credit Corporation Program Activities. Various support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the Commodity Credit Corporation Programs. The Administrator of the Service is also Executive Vice President of the Corporation.

The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment programs for designated basic commodities (tobacco, peanuts, wheat, cotton and rice). This is done through acreage allotments, and through marketing quotas when supplies reach specified levels in relation to normal demand.

The Agriculture and Consumer Protection Act of 1973 authorizes programs for the 1974 through 1977 crops of feed grains, wheat, and upland cotton. This legislation uses guaranteed or "target" prices and deficiency payments to encourage farmers to provide consumers with adequate supplies of food and fiber. Deficiency payments would be made to farmers only where the average market price received by farmers dropped below the target level. Disaster payments are also available under certain conditions.

Additional information on the support and related activities of the Commodity Credit Corporation will be found elsewhere in these Explanatory Notes.

10. Foreign Assistance Program, Special Export Programs and other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Funds for these programs are made available to the Corporation for its costs incurred in connection with these activities. Additional information on these programs will be found elsewhere in these Explanatory Notes.
11. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This includes defense readiness for food production and domestic distribution of farm machinery, fertilizer, feed, and seed.

Responsibility within the Department for coordination of activities relating to energy shortages is lodged with ASCS. Through its network of county and State offices, the Service monitors the situation in rural areas relating to key farm production inputs, particularly fuels and fertilizer.

Under its own authorities, and in conjunction with other Departments and agencies, the Service provides assistance under the following emergency livestock feed programs: (1) Livestock Feed Program; (2) Grazing and Haying; (3) Hay Transportation Assistance Program; and (4) Acute Distress Donation Program to Indian Tribes.

12. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies and others on an advance or reimbursable payment basis. Following are examples of the types of programs and services performed:

Federal Funds:

- a. Funds for strengthening markets, income and supply (Sec. 32) and Child Nutrition Programs. Purchase and diversion programs for the Agricultural Marketing Service are carried out under Section 32 of the Act of August 24, 1935. Commodities are also purchased for use by schools in the Child Nutrition Programs for the Food and Nutrition Service.
- b. Food Stamp Program. ASCS performs systems, programming, data processing and clerical control functions for Food and Nutrition Service in the data analysis of Food Stamp redemptions.
- c. Great Plains Conservation Program. Public Law 84-1021, authorized this program for cost-sharing of conservation practices under long-term contracts with farmers and ranchers in designated counties of the ten Great Plains States. ASCS services and facilities are used by the Soil Conservation Service on a reimbursable basis.
- d. Federal Crop Insurance Corporation. Services and facilities of ASCS are used in certain counties to service crop insurance for the Federal Crop Insurance Corporation on a reimbursable basis.

- e. Appalachian Region Conservation Program. This is a long-term program authorized in Section 203 of the Appalachian Regional Development Act of 1965, as amended, to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Funds for carrying out the program are appropriated directly to the Appalachian Regional Commission, and are transferred to ASCS for payments.
- f. Office space supplied to other agencies of the Department. In certain areas where more than one agency is housed in offices under the control of ASCS, each agency pays their applicable part of the rental and related services.
- g. Miscellaneous. This item covers other reimbursable work such as detail of specialists to other agencies including their travel, office supplies, etc., not covered above.

Non-Federal funds:

- a. Aerial Photographs. ASCS makes aerial photographs for use in farm programs primarily in checking compliance. Copies are also sold to the public and to other Federal agencies. ASCS is receiving photographs from NASA's Landsat. These photographs are made available to agencies by ASCS on a reimbursable basis.
- b. Loan Service Charges. The Service performs inspection, sampling, testing, grading, and sealing of commodities being placed under loans for which fees are collected from farmers.

Available Funds and Man-years
1975 and Estimated, 1976 and 1977

Item	Actual 1975		Estimated Available, 1976		Budget Estimate 1977	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Agricultural Stabilization and Conservation Service:						
Salaries & Expenses, ASCS:						
Appropriation	161,548,000	)	151,181,000	)	157,891,000	)
Transferred to other accounts .	-1,024,000	) 2,815	-126,769	) 2,796	--	) 2,737
Transfers from CCC		)		)		)
Authorized in appropriation Act	69,695,000	) ^{a/}	72,571,000	) ^{b/}	74,958,000	) ^{c/}
Transferred to other accounts		)		)		)
for pay costs ...	-217,000	)	-192,000	)	--	)
Total, Salaries and Expenses, ASCS	230,002,000	2,815	223,433,231	2,796	232,849,000	2,737
Deduct allotments to other agencies	-132,000	--	--	--	--	--
Subtotal, ASCS only	229,870,000	2,815	223,433,231	2,796	232,849,000	2,737
Sugar Act Program	85,700,000	--	--	--	--	--
Cropland Adjustment Program	43,801,000	--	42,000,000	--	--	--
Dairy and Beekeeper Indemnity Programs ...	1,850,000	--	6,650,000	--	4,050,000	--
Agricultural Conservation program:						
(appropriation)	285,500,000	--	190,000,000	--	90,000,000	--
Forestry Incentives program	15,000,000	--	^{d/} 15,000,000	--	--	--
Deduct allotment to FAS	--	--	^{d/} -1,500,000	--	--	--
Subtotal, ASCS only ...	15,000,000	--	^{d/} 13,500,000	--	--	--
Water Bank Program	2,143,530	24	^{d/} 10,000,000	50	--	9
Deduct allotment to SCS	-435,647	-24	^{d/} -1,000,000	-50	^{e/} --	-9
Subtotal, ASCS only	1,707,883	--	^{d/} 9,000,000	--	--	--
Emergency Conservation Measures	10,000,000	--	10,000,000	--	10,000,000	--
Subtotal, ASCS	673,428,883	2,815	494,583,231	2,796	336,899,000	2,737
Obligations under other USDA appropriations:						
Agricultural Marketing Service-For Assistance on Section 32 Program	1,058,474	54	1,492,000	67	1,507,000	70
Food & Nutrition Service-for assistance on School Lunch Prog. and commodity distribution activity	304,471	14	388,600	18	392,300	18
Food & Nutrition Service-for assistance on Food Stamp Prog. ...	816,748	38	--	--	--	--

Item	Actual 1975		Estimated Available, 1976		Budget Estimate 1977	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Federal Crop Insurance Corporation-for administrative services provided the Corporation	185,415	)	198,372	)	200,372	)
Soil Conservation Service-for Great Plains Conservation Program	92,000	)	94,000	)	64,000	)
USDA-for sales of aerial photographs to various USDA agencies	492,518	)	550,000	)	550,000	)
USDA-for office space supplied to other agencies of the Department ...	2,632,041	)	2,889,000	)	2,889,000	)
USDA-for miscellaneous detail of personnel, travel, office supplies, etc.	734,296	) 35	1,012,028	) 36	1,017,328	) 35
Total, Other USDA Appropriations .	6,315,963	141	6,624,000	121	6,620,000	123
Total Agriculture-Environmental and Consumer Protection Appropriations	679,744,846	2,956	501,207,231	2,917	343,519,000	2,860
Other than USDA Federal Funds	388,647	8	332,000	9	218,000	9
Funds from Nonfederal Sources	3,359,062	1	3,530,000	1	3,550,000	1
Total, Agricultural Stabilization & Conservation Service .	683,492,555	2,965	505,069,231	2,927	347,287,000	2,870

The above tabulation shows Federal man-years; end-of-year Federal employment is indicated below:

Item	1975 Actual	1976 Estimated	1977 Estimated
End-of-year employment:			
Permanent full-time	2,704	2,474	2,474
Other	247	300	260
Total	<u>2,951</u>	<u>2,774</u>	<u>2,734</u>

NOTE: Man-years and Employment shown do not include committeemen and employees of ASCS County Committees who are not Federal employees.

a/ Includes \$2,691,000 contingency reserve of which \$2,474,000 was used for increased pay costs by Agricultural Stabilization and Conservation Service, \$105,000 was transferred to Agricultural Marketing Service for pay costs and \$112,000 was transferred to Foreign Agricultural Service for pay costs.

b/ Includes \$2,787,000 contingency reserve of which \$2,595,000 is being used by ASCS for pay costs, \$96,000 is being transferred to Agricultural Marketing Service for pay costs, \$60,000 is being transferred to Foreign Agricultural Service for pay costs, and \$36,000 is being transferred to the Office of the Sales Manager for pay costs.

c/ Includes \$2,919,000 contingency reserve available only upon release by the Office of Management and Budget.

d/ Proposed for rescission.

e/ To be financed with prior year funds.

(a) Salaries and Expenses, Agricultural
Stabilization and Conservation Service

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation</u>	<u>Total</u>
Appropriation Act, 1976	\$151,181,000	\$72,571,000	\$223,752,000
Budget Estimate, 1977	<u>157,891,000</u>	<u>74,958,000</u>	<u>232,849,000</u>
Net Increase in appropriation	<u>+6,710,000</u>	<u>+2,387,000</u>	<u>+9,097,000</u>
Adjustments in 1976:			
Appropriation Act 1976	151,181,000	72,571,000	223,752,000
Transfers to other accounts <u>a/</u>	-127,000	--	-127,000
Transfers to other agencies for pay costs <u>b/</u>	<u>--</u>	<u>-192,000</u>	<u>-192,000</u>
Adjusted base for 1977	151,054,000	72,379,000	223,433,000
Budget Estimate, 1977	<u>157,891,000</u>	<u>74,958,000</u>	<u>232,849,000</u>
Net increase from adjusted 1976	<u>+6,837,000</u>	<u>+2,579,000</u>	<u>+9,416,000</u>

a/ Pursuant to Secretary's Memorandum No. 1881, on September 19, 1975, certain sugar activities were transferred to other agencies. Mutual agreements were made with the Agricultural Stabilization and Conservation Service and the other agencies involved, and the funds agreed upon to be transferred to these agencies from Agricultural Stabilization and Conservation Service are as follows: \$53,000 to Statistical Reporting Service, \$54,000 to Economic Research Service and \$20,000 to Agricultural Marketing Service.

b/ Transferred from the Contingency Reserve under the CCC Administrative Expense Limitation as follows: \$96,000 to Agricultural Marketing Service, \$60,000 to Foreign Agricultural Service and \$36,000 to the Office of the Sales Manager.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation</u>	<u>Total</u>
Adjusted base for 1977	151,054,000	72,379,000	223,433,000
Restoration of GSA Space Cost cut in 1976	+872,000	-0-	+872,000
Decrease of GSA rent	-270,000	-121,000	-391,000
Annualization of pay cost increase effective in FY 1976	+6,235,000	-219,000 <u>a/</u>	+6,016,000
Restoration of CCC Contin- gency Reserve	<u>--</u>	<u>+2,919,000</u>	<u>+2,919,000</u>
Budget Estimate, 1977 ...	<u>157,891,000</u>	<u>74,958,000</u>	<u>232,849,000</u>

a/ This represents a financial adjustment in 1976 made necessary by the distribution of pay costs between the CCC fund and direct appropriation.

Project Statement
(on basis of adjusted appropriation and CCC transfers)

	1975	1976 (Estimated)	Increase or Decrease	1977 (Estimated)
1. Program formulation and appraisal	\$8,081,779	\$6,862,000	+164,000	\$7,026,000
2. Operation of supply adjustment, conservation and support programs.....	193,949,374	190,020,000	+5,698,000	195,718,000
3. Inventory management and merchandising ..	27,940,918	26,551,000	+635,000	27,186,000
Contingency reserve (CCC)	- -	- -	+2,919,000	2,919,000
Unobligated balance	29,929	- -	- -	- -
			(1)	
Total available or estimate	230,002,000	223,433,000	+9,416,000	232,849,000
Transfers from CCC	69,478,000	72,379,000	+2,579,000	74,958,000
Subtotal, Direct Appropriation	160,524,000	151,054,000	+6,837,000	157,891,000
Proposed supplemental for pay costs	- -	- -		
Transferred to other accounts	-1,024,000	-127,000		
Total, appropriation..	161,548,000	151,181,000		

JUSTIFICATION OF INCREASES AND DECREASES

(1) The net increase of \$9,416,000 in the total request for 1977 consists of:

(a) Annualization of pay cost increases effective in fiscal year 1976	+\$6,016,000
(b) Restoration of the CCC Contingency Reserve (In 1976 it is planned to use the entire reserve of \$2,787,000 for increased pay costs. The proposed increase is based on 7 percent of the total request under the limitation on CCC administrative expenses)	+2,919,000
(c) Restoration of GSA space cost cut in 1976	+872,000
(d) Decrease for GSA rent	-391,000
Total	<u>+9,416,000</u>

EXPLANATION OF PROGRAMS

The programs for which Agricultural Stabilization and Conservation Service has prime responsibility for their operation fall within two major USDA missions:

1. Farm Income. The objectives and goals of this mission are all described more fully under Commodity Credit Corporation. Besides the CCC programs, several appropriated fund programs are included in this mission.

More detail is furnished in the explanations and justifications under the following applicable programs:

- Sugar Act Program
- Cropland Adjustment Program
- Cropland Conversion Program
- Conservation Reserve Program
- Emergency Conservation Measures
- Dairy and Beekeeper Indemnity Program

A portion of the appropriation "Salaries and Expenses, ASCS" applicable to the above programs is included under this mission as administrative support for farm income programs.

2. Environmental Improvement and Resources Development and Use.

USDA Goals and Objectives.

The USDA goal is to enhance the physical environment through the efficient and timely use, development, and protection of natural resources, consistent with available financial resources, social priorities and environmental constraints.

The major objectives are to

- Develop criteria and procedures for cooperating with other Federal agencies and non-Federal governments, for contributing to local, State and national land-use policy and planning objectives.
- Participate in the development of soil, water, and timber resources on an equitable cost-sharing basis that maximizes national benefits in relation to Federal costs.
- Promote the development and application of research-based knowledge and technology required by USDA action programs and the public, to ameliorate or avoid adverse environmental impacts while utilizing land, water, and forest resources to meet public demands.

Provisions of the Programs

The ASCS programs included in this mission are described more fully in the explanations and justifications under the following programs:

Agricultural Conservation Program
Forestry Incentives Program
Water Bank Program

Portions of the appropriations "Salaries and Expenses, ASCS" applicable to the above programs are included under this mission as administrative support (ACP and Appalachia) and administrative support for outdoor recreation programs.

The following tabulation shows Salaries and Expenses, ASCS, obligated under the various USDA missions for administrative support:

USDA Mission	1975	Estimated 1976	Estimated 1977
	(Dollars in Thousands)		
Farm income	\$172,925	\$165,313	\$176,064
Agricultural exports	2,160	2,240	2,260
Environmental improvement and resources development and use	55,054	55,880	51,606
Subtotal, USDA missions	230,139	223,433	229,930
Undistributed advances and reimbursements (included under other agencies' missions)	9,881	10,372	10,388
Unobligated contingency reserve	--	--	2,919
Total, Salaries and Expenses, ASCS	240,020	233,805	243,237

EXPLANATION OF ACCOUNT

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of programs administered by, and the functions assigned to ASCS. The 1977 Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs not covered by direct appropriation. In addition, it provides that funds made available to the Agricultural Stabilization and Conservation Service by other agencies for services in connection with various programs be advanced to and merged with this appropriation. These transfers consolidated all administrative funds used by ASCS into one account and provide clarity, better management, and control of such funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation and commodity support programs, and the management and merchandising of commodities acquired under the support program, have a tremendous impact on the national and, to a lesser extent, the international economy. This activity provides for constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.
2. Operation of supply adjustment, conservation, and support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases and yields; (e) notifying producers of allotments, productivity indexes, and payment rates; (f) determining farm marketing allocations; (g) handling appeals; (h) conducting referendums and certifying results; (i) checking compliance with acreage allotments and use of set-aside acres; (j) developing pooling agreements under which several farmers work jointly and to solve a common conservation problem which cannot be solved by individual action; (k) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (l) processing producer requests for conservation cost-sharing; (m) processing commodity loan documents and issuing sight drafts; and (n) making appraisals for disaster payments.
3. Inventory management and merchandising. This activity includes; (a) overall management of CCC-owned commodities; (b) selling commodities; (c) donating commodities; and (d) accounting for loans and commodities.

The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance and Special Export Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

- Agricultural exports
- Environmental improvement and resources development and use
- Farm income

The following tabulation shows totals in this account for administrative expenses:

Project	1975	1976 Estimated	1977 Estimated
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal	\$8,504,499	\$7,484,000	\$7,650,000
2. Operation of supply adjustment, conservation, & support programs	201,075,615	197,521,000	203,213,000
3. Inventory management & merchandising of commodities	30,440,050	28,800,000	29,455,000
Contingency Reserve (CCC)	--	a/ --	b/2,919,000
Total	240,020,164	233,805,000	243,237,000
Obligations under direct appropriation and CCC transfers:			
ASCS	230,007,071	223,433,000	229,930,000
Forest Service	100,000	--	--
Office of the General Counsel	32,000	--	--
Contingency reserve (CCC)	--	a/ --	b/2,919,000
Subtotal, direct appropriation and CCC transfers	c/ 230,139,071	223,433,000	232,849,000
Obligations under funds from other sources and consolidated with this account	9,881,093	10,372,000	10,388,000
Total	240,020,164	233,805,000	243,237,000

a/ Entire amount of \$2,787,000 to be used for increased pay costs as follows: \$2,595,000 for ASCS; \$96,000 for AMS; \$60,000 for FAS; and \$36,000 to OSM.

b/ Available only upon release by the Office of Management and Budget.

c/ Excludes \$29,929 unobligated balance.

HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in approximately 160 counties to determine actual time required to complete units of work by category. Time and units reported by these work measurement counties are used to establish coefficients. Coefficients are then applied to units of work reported by all 2732 counties for each category of work in each major program. Unmeasured work reflects other activities, which are less subject to this work measurement technique, and are recorded on an actual basis. This determines the normal man-days required for the workload involved in each fiscal year. The workload for each major program is shown in Tables I and II and reflects changes in program requirements.

The actual obligations for 1975, divided by the actual man-years, determined the average man-year cost for 1975. This cost was revised for 1976 and 1977 to reflect pay and related adjustments.

COMPUTATIONS FOR DEVELOPING COUNTY OFFICE AND TOTAL COSTS

Fiscal Year 1975

Normal man-days (Table I)	2,317,640
Man-years for workload programs	9,279
Average cost per man-year	\$14,049
Obligations for weighted workload programs (county offices) ...	\$130,358,043
Obligations for other offices, unmeasured programs of county offices, and allotment accounts	\$109,662,121
Total Obligations, Fiscal Year 1975	<u>\$240,020,164</u>

Fiscal Year 1976

Normal man-days (Table I)	2,315,674
Man-year requirements for workload programs	9,276
Average cost per man-year	\$14,298
Obligations for weighted workload programs (county offices) ...	\$132,628,700
Obligations for other offices, unmeasured programs of county offices, and allotment accounts	\$101,176,300
Total estimated obligations, fiscal year 1976	\$233,805,000
Contingency reserve (CCC) unobligated portion	-- a/
Total Obligations and Contingency Reserve, Fiscal Year 1976	<u>\$233,805,000</u>

Fiscal Year 1977

Normal man-days (Table I)	2,344,680
Man-year requirements for workload programs	9,388
Average cost per man-year	\$14,603
Obligations for weighted workload programs (county offices) ...	\$137,096,900
Obligations for other offices, unmeasured programs of county offices, and allotment accounts	\$103,221,100
Total estimated obligations, fiscal year 1977	\$240,318,000
Contingency reserve (CCC)	\$2,919,000 b/
Total Obligations and Contingency Reserve, Fiscal Year 1977	<u>\$243,237,000</u>

a/ In FY 1976 it is proposed to use the CCC Contingency Reserve of \$2,787,000 for increased pay costs as follows: \$2,595,000 by ASCS; \$96,000 by AMS; \$60,000 by FAS; and \$36,000 to OSM.

b/ Available only upon release by the Office of Management and Budget.

NOTE: The above computations include all funds (Appropriated, CCC Transfers, other Advances and Reimbursements) available to Salaries and Expenses, ASCS.

Field offices and related National Office costs (CCC Administrative Expense Limitation). A work measurement system which has been in effect since 1952 is used for measuring past year accomplishments and projecting requirements for the Commodity Office, Field Offices, and the National Office. The estimated volume of activity for each major commodity in terms of loans to be made, acquisitions and dispositions is developed by commodity specialists. This volume is converted to measurable units of work required to carry out these activities. The Field Offices report actual work units accomplished and man-years used, as well as the average salary paid.

Table III reflects volume by major activity. Table IV reflects the conversion of program by volume to work units, labor and fund requirements, for the CCC administrative expense limitation.

Other costs. Requirements for State Offices and the balance of costs for the National Office and management field offices are determined on the basis of past experience and available work measurement data.

Manpower Required

The Agricultural Stabilization and Conservation Service has reduced man-years of employment by 60.6 percent from 1962 to 1975, and by 38.9 percent since 1969.

Reduction in workload for 1977 compared with 1976 are projected for the following: Agricultural Conservation Program, Sugar Act Program, Tobacco Program, and Land Retirement Programs.

Increases in workload are projected for the following: Loans and Price Support and Compliance Activities for all commodity programs; the Wool Program; and Referenda for all commodities.

Man-years of employment have been controlled through the use of (1) specific manpower limitations, (2) management surveys of offices in Washington, D.C. and field; and (3) work measurement.

TABLE I

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

SALARIES AND EXPENSES, ASCS

Normal Man-Days by Program, FY 1975 Actual,
FY 1976 Estimated and FY 1977 Projected

PROGRAM	FISCAL YEAR		
	1975 Actual	1976 Estimate	1977 Projection
Agricultural Conservation Program .	589,322	588,800	525,000
Wool Act	27,614	29,158	35,000
Loans Made	54,510	62,077	70,000
Price Support Program	89,295	89,453	143,596
Compliance	269,956	250,000	270,000
Wheat and Feed Grain Program	178,495	178,495	178,495
Cotton Program	93,301	93,364	93,364
Tobacco Program	128,675	142,633	142,420
Peanut Program	16,146	16,146	17,000
Rice Program	6,564	7,938	8,000
Sugar Program	10,919	744	--
Referenda (all commodities)	8,904	2,239	15,000
Land Retirement Programs	17,950	16,984	10,000
Appalachian Region Conservation Program	929	865	700
Reconstitution and Farm Producer Data	253,013	266,105	266,105
General Administration and Defense.	424,031	422,657	420,000
Committee Elections	148,016	148,016	150,000
Totals	2,317,640	2,315,674	2,344,680

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1975 Actual	1976 Estimate	1977 Projection	1975 Actual	1976 Estimate	1977 Projection
RECP & REAP						
A Payment Applications	511,718	511,312	455,909	560,843	560,492	499,760
B Pooling agreements and special project ...	4,482	4,482	3,996	7,644	7,598	6,775
C Long-term agreements	4,315	4,315	3,847	20,835	20,710	18,465
Total, RECP & REAP				589,322	588,800	525,000
WOOL						
A Applications for payment	166,487	179,747	215,760	27,614	29,158	35,000
Total, Wool				27,614	29,158	35,000
LOANS WITH SERVICE CHARGES						
A Farm storage commodity loans and identity preserved and modified commingled warehouse loans	23,567	35,778	40,344	25,768	31,176	35,155
B Warehouse loans (except cotton and identity preserved and modified commingled)	9,311	14,189	16,000	10,256	12,392	13,974
C Cotton warehouse loans initially prepared by county office personnel	50,412	50,535	56,984	14,584	14,607	16,471
D Cotton warehouse loans initially prepared by other than county office personnel ..	22,727	22,727	25,628	3,902	3,902	4,400
Total, Loans with Service Charges				54,510	62,077	70,000
PRICE SUPPORT						
A Commodity loan reinspections	19,519	24,560	39,427	5,456	6,304	10,120
B Commodity loan repayment (except cotton) and reconcentrated grain loan settlements	96,532	101,313	162,636	21,807	22,621	36,313
C Cotton loan repayments	137,192	137,192	220,170	911	911	1,462
D Farm-stored loan takeovers and purchases ..	10	8	13	16,266	16,266	26,111
E Warehouse loans acquired (except cotton) ..	5	4	6	5	5	8
F Cotton warehouse loans acquired	38	--	--	8	--	--
G New farm storage facility and/or dryer loans	6,916	6,916	11,102	18,351	18,351	29,458
H Active facility and dryer loans	111,679	102,979	165,310	26,491	24,995	40,124
Total, Price Support				89,295	89,453	143,596

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1975 Actual	1976 Estimate	1977 Projection	1975 Actual	1976 Estimate	1977 Projection
COMPLIANCE						
A Report of acreage (compliance by certification)						
B Master ASCS-578	5,370,423	3,480,730	3,759,191	203,652	188,598	203,686
Acreage Determined (farm visits)	83,576	112,638	121,656	16,050	14,863	16,053
C 0 through 49.99 acres	57,304	74,707	80,682	11,949	11,065	11,950
D 50.0 through 99.99 acres	24,016	35,452	38,286	8,050	7,455	8,051
E 500.0 through 999.99 acres	1,252	2,633	2,842	801	742	801
F 1000.0 acres and over	326	711	768	229	212	229
G Spot checks	132,399	140,598	151,845	29,225	27,065	29,230
Total, Compliance				269,956	250,000	270,000
WHEAT AND FEED GRAIN						
A Number of initial crop allotments established	4,127,837	4,127,837	4,127,837	170,864	170,864	170,864
B Disaster payment requests	--	--	--	--	--	--
C Appraisals for disaster or low yield credit	--	--	--	--	--	--
D Wheat proven yields	11,215	11,215	11,215	7,631	7,631	7,631
Total, Wheat and Feed Grain				178,495	178,495	178,495
COTTON AA AND PAYMENT PROGRAM						
A Farms with allotments established	536,777	536,777	536,777	60,480	60,480	60,480
B Allotments release and reapportioned	218,597	218,597	218,597	13,064	13,064	13,064
C Transfer of upland or ELS cotton allotments	26,455	26,455	26,455	4,843	4,843	4,843
D Participating farms in upland and ELS cotton programs	254,109	254,620	254,620	14,914	14,977	14,977
E Disaster payment requests	--	--	--	--	--	--
F Appraisals for disaster or low yield credit	--	--	--	--	--	--
Total, Cotton AA and Payment Program ..				93,301	93,364	93,364

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	Actual 1975	1976 Estimate	1977 Projection	1975 Actual	1976 Estimate	1977 Projection
FLUE-CURED TOBACCO AA & MQ						
A Farms with allotments established	191,892	191,961	191,502	8,370	8,370	8,370
B Lease and transfer of allotments	130,208	128,185	127,860	19,883	19,694	19,644
C Marketing cards issued	163,184	168,059	167,623	25,110	33,567	33,480
D Tobacco market operations	968,597	1,071,686	1,068,934	16,894	22,584	22,526
Total, Flue-Cured Tobacco AA & MQ				70,257	84,215	84,000
TOBACCO AA & MQ (EXCEPT FLUE-CURED)						
A Farms with allotments established	344,175	344,175	344,175	11,232	11,232	11,232
B Transfer of allotments by owner, sale or lease	95,016	95,016	95,016	20,491	20,491	20,491
C Marketing cards issued	241,309	241,309	241,309	20,537	20,537	20,537
D Tobacco market operations	362,776	362,776	362,894	6,158	6,158	6,160
Total, Tobacco AA & MQ (except Flue-cured)				58,418	58,418	58,420
PEANUT AA & MQ						
A Farms with allotments established	77,684	77,684	81,790	4,654	4,654	4,900
B Allotments released and reapportioned ..	2,823	2,823	2,972	701	701	738
C Transfer of allotments	21,436	21,436	22,572	5,682	5,682	5,983
D Marketing cards issued	65,579	65,579	69,045	5,109	5,109	5,379
Total, Peanut AA & MQ				16,146	16,146	17,000
RICE AA & MQ						
A Farms or producers with allotments established	19,915	24,909	25,103	4,296	5,145	5,185
B Allocation of allotments	7,806	9,761	9,836	1,612	1,963	1,978
C Allotments released and reapportioned ..	2,487	3,115	3,141	656	830	837
Total, Rice AA & MQ				6,564	7,938	8,000

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1975 Actual	1976 Estimate	1977 Projection	1975 Actual	1976 Estimate	1977 Projection
SUGAR BEETS						
A Participating ownership tracts	35,781	--	--	3,506	--	--
B Sugar payments	21,326	1,691	--	5,695	600	--
Total, Sugar Beets				9,201	600	--
SUGARCANE						
A Proportionate shares	--	--	--	--	--	--
B Participating ownership tracts	--	--	--	--	--	--
C Sugar payments	5,302	446	--	1,718	144	--
Total, Sugarcane				1,718	144	--
REFERENDA (ALL COMMODITIES)						
A Mail referenda	267,045	77,798	521,164	8,623	2,169	14,530
B Polling place referenda	973	74	497	281	70	470
Total, Referenda (all commodities)				8,904	2,239	15,000
LAND RETIREMENT PROGRAM (CAP, CCP, WBP)						
A Request for agreement	1,655	1,791	1,054	4,406	4,700	2,767
B Agreements	35,015	31,335	18,450	13,260	12,038	7,088
C Cost-sharing	850	648	382	284	246	145
Total, Land Retirement Program				17,950	16,984	10,000
ALSCP						
A Cost-share contract	6,070	4,552	3,679	584	490	396
B Cost-sharing	920	1,054	854	345	375	304
Total, ALSCP				929	865	700

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1975 Actual	1976 Estimate	1977 Projection	1975 Actual	1976 Estimate	1977 Projection
RECONSTITUTIONS & FARM PRODUCER DATA						
A Reconstitutions of farms	954,134	974,386	974,386	94,460	96,250	96,250
B Maintaining basic farm and producer data .	1,018,622	1,166,853	1,166,853	158,553	169,855	169,855
Total, Reconstitutions & Farm Producer data				253,013	266,105	266,105
ADMINISTRATIVE AND DEFENSE						
A General administration	802,366	800,403	795,371	414,265	412,943	410,347
B Emergency Board activities	8,030	8,287	8,235	9,766	9,714	9,653
Total, Administrative and Defense				424,031	422,657	420,000
COMMITTEE ELECTIONS						
A Committeemen	--	--	--	--	--	--
B Votes cast	1,434,189	1,434,189	1,453,413	148,016	148,016	150,000
Total, Committee Elections				148,016	148,016	150,000
TOTAL NORMAL MAN-DAYS				2,317,640	2,315,674	2,344,680

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

Table III

Item and Commodity	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate	Increase (+) or Decrease (-)	
				Quantity	Percent
1. <u>LOANS MADE</u>					
Cotton (bales).....	2,465	1,220	1,525	+305	+25
Corn (bu.)	76,790	132,000	178,000	+46,000	+35
Grain sorghums (bu.)	3,902	6,000	9,000	+3,000	+50
Wheat (bu.)	30,975	30,000	66,000	+36,000	+120
Soybeans (bu.)	34,564	--	--	--	--
Rice, rough (cwt.)	9,256	30,000	15,000	-15,000	-50
Other grains (bu.) ^{1/}	10,181	9,500	16,884	+7,384	+78
2. <u>ACQUISITIONS</u>					
Cotton (bales)	--	--	--	--	--
Dairy products (lb.) ^{2/}	761,582	415,000	450,000	+35,000	+8
Corn (bu.)	679	2,790	2,072	-718	-26
Grain sorghums (bu.)	5,984	11,386	6,504	-4,882	-43
Wheat (bu.)	1,411	7,000	11,000	+4,000	+57
Soybeans (bu.)	--	--	--	--	--
Rice (cwt.)	2	--	--	--	--
Other grains (bu.) ^{1/}	571	--	--	--	--
3. <u>DISPOSITIONS</u>					
Cotton (bales)	--	--	--	--	--
Dairy products (lb.) ^{2/}	329,472	227,200	220,000	-7,200	-3
Corn (bu.)	8,452	2,997	2,072	-925	-31
Grain sorghums (bu.)	7,582	11,479	6,504	-4,975	-43
Wheat (bu.)	19,067	8,264	11,000	+2,736	+33
Soybeans (bu.)	--	--	--	--	--
Rice (cwt.)	1	2	--	-2	-100
Other grains (bu.) ^{1/}	36,092	20,536	5,000	-15,536	-76
4. <u>ENDING INVENTORIES</u>					
Cotton (bales)	--	--	--	--	--
Dairy products (lb.) ^{2/}	474,113	661,913	938,713	+276,800	+42
Corn (bu.)	207	--	--	--	--
Grain sorghums (bu.)	93	--	--	--	--
Wheat (bu.)	1,264	--	--	--	--
Soybeans (bu.)	--	--	--	--	--
Rice (cwt.)	2	--	--	--	--
Other grains (bu.) ^{1/}	37,536	17,000	11,000	-6,000	-35

^{1/} Includes barley, oats, rye, flaxseed and dry edible beans.

^{2/} Includes butter, cheese, nonfat dry milk.

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR			FISCAL YEAR			FISCAL YEAR		
			1975 Actual			1976 Estimate			1977 Estimate		
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
DIRECT LABOR											
PROGRAM ACTIVITIES											
01	Storage Management	Document	6,765	650	10.4	9,436	609	15.5	12,000	650	18.5
02	Tariff and Section 22 Quotations	Tariff, Suppl., Quotation	121,308	35,679	3.4	127,700	35,472	3.6	134,794	35,472	3.8
03	Tobacco Allocations and Sales	Memo. and Sales Doc.	1,684,353	233,938	7.2	1,725,000	250,000	6.9	1,800,000	250,000	7.2
04	PXCO Processing Support	MAN-YEARS	--	--	3.4	--	--	3.5	--	--	5.0
05	Audit of Tonnage	Carton	34,097	8,973	3.8	25,928	7,408	3.5	34,097	8,973	3.8
06	Periodic Storage and Other Payments	Invoice or Draft	18,231	1,558	11.7	18,099	1,558	11.6	18,231	1,558	11.7
07	Settlements	Carton (Invoice) or Bal.	120,624	8,555	14.1	117,409	8,633	13.6	117,409	8,633	13.6
11	Loading Orders Issued or Notices to Deliver	Carton, Nd. (Tr. Req.)	120,556	3,803	31.7	90,240	3,008	30.0	120,556	3,803	31.7
12	Reconciliation of Transit	Freight Bill	6,819	5,245	1.3	8,273	5,171	1.6	10,490	5,245	2.0
13	Reconcentration Orders Issued, Cotton	Bales	--	--	--	--	--	--	--	--	--
14	Deliveries	B/L or Del. Receipt (Carlots)	89,825	2,604	34.5	89,057	2,604	34.2	91,140	2,604	35.0
15	Freight Payments, All Commodities	Freight Bill (Draft)	78,664	3,659	21.5	47,541	2,780	17.1	78,664	3,659	21.5
16	Post Audit of Freight Bills	Paid Freight Bill	81,303	12,905	6.3	119,197	15,893	7.5	119,197	15,893	7.5
17	Public Law 480	Supplier's Invoice, Resn.	326	125	2.6	300	125	2.4	375	125	3.0
18	Export Payments	Application for Payment	300	3,000	1.1	--	--	--	--	--	--
20	CCC Storage, Bins and Equipment	Transaction, Line Item	14,367	6,246	2.3	--	--	.7	--	--	1.0
21	Purchases	Carton	34,976	3,498	10.0	48,297	3,354	14.4	48,297	3,354	14.4
		Carton	44,370	2,722	16.3	68,809	2,356	29.2	68,809	2,356	29.2
		Bale	--	--	--	--	--	--	--	--	--
22	Sales and Donations	Carton (Invoice)	94,919	4,056	23.4	73,805	4,055	18.2	73,805	4,055	18.2
		Carton	18,992	11,172	1.7	28,539	9,206	3.1	46,030	9,206	5.0
		Shipping Authorization	5,487	1,306	4.2	9,994	1,586	6.3	10,309	1,586	6.5
26	Freight Forwarding	Note	20,338	2,365	8.6	60,164	5,730	10.5	88,242	5,730	15.4
27	Commodity Loans Made	Bale	475,860	396,550	1.2	726,000	558,461	1.3	837,691	558,461	1.5
		Carton Form A	2,468	949	2.6	65,686	25,264	2.6	73,266	25,264	2.9
28	Storage Facility and Equip. Loan Activity	Draft on Import Firm CCG-500	110,802	65,178	1.7	121,000	67,222	1.8	121,000	67,222	1.8
30	Commodity Loans Repaid	Item on Form CCG-500	73,743	52,673	1.4	48,408	60,510	.8	84,714	60,510	1.4
		Carton Form A	5,856	11,712	.5	32,928	109,760	.3	54,880	109,760	.5
		Carton Form G	41,810	27,873	1.5	74,480	35,467	2.1	88,667	35,467	2.5
32	Commodity Acquisition Form Stored	Settlement Documents	2	20	.1	2	20	.1	2	20	.1
		Grain	35	58	.6	6	58	.1	6	58	.1
33	Warehouse Stored	W/R or Line Item	104	1,040	.1	--	--	--	--	--	--
		Carton Form A	--	--	--	--	--	--	--	--	--
		Carton Form G	--	--	--	--	--	--	--	--	--

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	1975 Actual			1976 Estimate			1977 Estimate					
			FISCAL YEAR	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	FISCAL YEAR	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	FISCAL YEAR	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
36	Sight Drafts			1,332,050	115,830	11.5		2,000,000	176,991	11.3		2,495,573	176,991	14.1
37	Producer Payments Reporting	Sight Drafts		--	--	4.1		--	--	3.8		--	--	5.0
38	Feed Grain, Wheat & Cotton Div. Programs	MAN-YEARS		--	--	7.6		--	--	7.2		--	--	8.0
39	Wheat Certificate Program	Processor Report (Cards)		245	306	8		--	--	--		--	--	--
40	County Office Administrative Exp. System	Documents		503,015	132,372	3.8		516,251	132,372	3.9		516,251	132,372	3.9
41	County Office Workload & Fund Allocation	Line Item (Record)		64,547	161,367	4		47,500	158,333	3		47,500	158,333	3
42	Reports	Report		10,849	512	21.2		11,650	529	22.0		13,225	529	25.0
43	Claims	Claim Doc. or Register		12,777	322	39.7		16,486	500	33.0		17,500	500	35.0
44	Wood Applications and Reporting	Application for Payment		--	--	--		--	--	--		--	--	--
45	Accounts Receivable	Receivables or Register		15,892	2,889	5.5		15,580	3,315	4.7		18,232	3,315	5.5
46	Cash Receipts	Cash Item on Schedule		287,999	41,739	6.9		311,063	42,035	7.4		336,280	42,035	8.0
47	Appropriated Fund Data Processing Serv.	Cards		--	--	--		--	--	--		--	--	--
48	Program Support to ADP	MAN-YEARS		--	--	6.0		--	--	4.1		--	--	6.0
49	MISCELLANEOUS			--	--	--		--	--	--		--	--	--
50	TOTAL PROGRAM ACTIVITIES			--	--	335.7		--	--	340.2		--	--	375.6
51	Integrated System Project	MAN-YEARS		--	--	8.6		--	--	10.7		--	--	--
52	Initial System Definition	MAN-YEARS		--	--	38.0		--	--	31.1		--	--	--
53	Initial System Design	MAN-YEARS		--	--	15.0		--	--	20.0		--	--	--
54	Initial Programming	MAN-YEARS		--	--	8.5		--	--	8.2		--	--	--
55	Related Technical Activities	MAN-YEARS		--	--	23.4		--	--	27.0		--	--	--
56	Other	MAN-YEARS		--	--	--		--	--	--		--	--	--
57	ADP Systems Analysis Other Than ISP			--	--	3.6		--	--	4.3		--	--	6.5
58	Initial System Definition	MAN-YEARS		--	--	10.3		188	30	6.3		358	35	10.3
59	Initial System Design	Program		358	94	10.3		739	47	15.6		972	47	20.7
60	System Maintenance	Program Modification		972	--	3.7		--	--	2.6		--	--	6.0
61	Other	MAN-YEARS		--	--	--		--	--	--		--	--	--
62	Programming Other Than ISP			421	24	17.3		107	14	7.7		480	24	20.0
63	Initial Programming	Program Modification		1,265	42	30.0		1,028	35	29.4		1,740	35	40.0
64	Programming Maintenance	MAN-YEARS		--	--	11.2		--	--	13.9		--	--	19.3

TABLE IV

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR			FISCAL YEAR			FISCAL YEAR		
			1975 Actual			1976 Estimate			1977 Estimate		
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
Computer Operations and Control											
59.1	Computer Terminal Operations	Log Entry or Set-Up	5,649	1,712	3.3	6,163	1,712	3.6	10,786	1,712	6.3
59.2	Jobs and Writing	Log Entry	340,602	29,618	11.5	232,896	19,571	11.9	293,565	19,571	15.0
59.3	Work Unit Utilization Recording	Log Entry or Set-Up	--	--	.1	--	--	.9	--	--	1.5
59.4	Other	MAN-YEARS	--	--	3.9	--	--	4.4	--	--	6.5
	TOTAL AUTOMATIC DATA PROCESSING ACTIVITIES	MAN-YEARS	--	--	198.7	--	--	197.6	--	--	152.1
Personnel Work											
60.1	Employment	Forms SF-52, AD-434, 435	872	513	1.7	1,026	513	2.0	1,026	513	2.0
60.2	Employee Relations and Development	Case	149	213	.7	170	213	.8	170	213	.8
Budget and Management Analysis											
61.1	Management Reports and Studies	Project or Study	829	53	15.5	912	53	17.2	912	53	17.2
61.2	Procedure Development and Maintenance	Item (Procedural)	513	20	25.4	306	20	15.3	513	20	25.4
61.3	Other	MAN-YEARS	--	--	10.2	--	--	10.2	--	--	10.2
62	Mail and Messenger Service	Piece of Mail	1,316,433	286,181	4.6	1,800,000	305,085	5.9	1,800,000	305,085	5.9
Miscellaneous Administrative Activities											
63.1	Records Management	Item	265,888	147,715	1.8	457,916	147,715	3.1	457,916	147,715	3.1
63.2	Reproduction	Job	6,790	2,425	2.8	5,820	2,425	2.4	5,820	2,425	2.4
63.3	Other Administrative Activities	MAN-YEARS	--	--	9.6	--	--	11.8	--	--	11.8
	TOTAL ADMINISTRATIVE ACTIVITIES	MAN-YEARS	--	--	72.3	--	--	68.7	--	--	78.8
TOTAL DIRECT LABOR, LESS LEAVE											
		MAN-YEARS	--	--	606.7	--	--	606.5	--	--	606.5
65	LEAVE, DIRECT LABOR ()	MAN-YEARS	--	--	117.5	--	--	121.3	--	--	121.3
	TOTAL DIRECT LABOR	MAN-YEARS	--	--	724.2	--	--	727.8	--	--	727.8
66	TOTAL INDIRECT LABOR	MAN-YEARS	--	--	85.9	--	--	59.4	--	--	59.4
	TOTAL PAID LABOR	MAN-YEARS	--	--	810.1	--	--	787.2	--	--	787.2

REMARKS

TABLE IV
Page 4

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

ACTIVITY	FISCAL YEAR 1975		FISCAL YEAR 1976		FISCAL YEAR 1977	
	Actual Cost	Man-Years	Estimated Cost	Man-Years	Estimated Cost	Man-Years
Total Commodity Offices and Data Systems						
Field Office	--	810.1	--	787.2	--	787.2
Management Field Offices	--	71.3	--	70.0	--	70.0
Total	--	881.4	--	857.2	--	857.2
Average Salary	\$ (14,330)	--	\$ (14,424)	--	\$ (14,424)	--
Personnel Compensation	12,630,476	--	12,363,948	--	12,363,948	--
Less Man-Years Overtime	--	11.5	--	14.5	--	14.5
Total Object 12 - 26	2,753,782	--	2,695,672	--	2,695,672	--
Total All Objects	15,384,258	869.9	15,059,620	842.7	15,059,620	842.7
Washington Divisions & Offices	13,941,742	250.1	15,260,380	277.3	15,513,380	277.3
Use of Reserve (ASCS) for Pay & Related						
Costs	1,634,000	--	1,941,000	--	--	--
Subtotal, ASCS	30,960,000	1,120.0	32,261,000	1,120.0	30,573,000	1,120.0
Transfer to AMS	3,104,461	--	3,439,000	--	3,470,000	--
Transfer to FAS	3,586,273	--	2,664,000	--	2,688,000	--
Transfer to the Office of the Sales						
Manager	22,196	--	1,036,000	--	1,050,000	--
Total Estimated Obligations	37,672,930	--	39,400,000	--	37,781,000	--
Reserve:						
Contingency	--	--	--	--	2,919,000	--
Unobligated Balance	327,070	--	--	--	--	--
Limitation	38,000,000	--	39,400,000	--	40,700,000	--

STATUS OF PROGRAM

This account includes funds to cover expenses of programs administered by, and functions assigned to, the Agricultural Stabilization and Conservation Service. The funds consist of direct appropriation, transfers from Commodity Credit Corporation, and miscellaneous advances and reimbursements from other sources. This consolidated account pays for all operating expenses for administering the Agricultural Stabilization and Conservation Service programs.

Responsibility for administration of ASCS farm programs in the field is vested in Agricultural Stabilization and Conservation (ASC) farmer-committees. ASC State committees consist of from three to five farmer members appointed by the Secretary of Agriculture for a period of one year. ASC county and community committees are elected by farmers who are participating or eligible to participate in any ASCS program.

Commodity offices have management responsibility for the proper storage, merchandising, and accounting for CCC-owned inventory. They initiate movements as necessary from local storage points to interior and terminal warehouses. They eventually sell or otherwise dispose of these commodities in the best interests of the taxpayer.

The principal activities of the Service include production adjustment programs, conservation programs, support programs and other related activities.

There follows a brief description of some of the major programs for which this Agency is responsible and the volume of work performed in fiscal year 1975.

Acreage allotments and marketing quotas. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment-quota programs for 1975 crops were in effect for peanuts, extra long staple cotton, and most types of tobacco; and allotments were in effect for rice, wheat and upland cotton. No marketing quota program can be put into effect without the approval of at least two-thirds of the producers voting in a national referendum. The marketing quota program for flue-cured tobacco provides poundage quotas as well as acreage allotments. In 1975, a program of poundage quotas only was in effect for burley tobacco. In fiscal year 1975 referendums were held and quotas approved for ELS cotton, peanuts, cigar binder tobacco, and cigar filler and binder tobacco.

	Number of Allotments, 1975 Crops
Tobacco	536,067
Peanuts	77,684
Cotton	536,777
Rice	19,915

Agricultural Conservation Program. This program is carried out under the authority contained in section 7 to 16 (a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. Objectives, as stated in such Act, include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on the land.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

Activities in fiscal year 1975 included the following:

Number of payment applications	511,718
Number of pooling agreements	4,482
Number of long-term agreements	4,315

Feed grain, wheat, and cotton programs. The main objectives of these programs under provisions of the Agricultural Act of 1973, are to assure consumers continued abundant supplies of feed and fiber at fair and reasonable prices while improving farm income, affording producers more opportunity to produce the crops of their choice, encouraging market growth at home and abroad and providing administrative flexibility to assure effective program operation while keeping down government costs. The Act also authorized disaster payments for prevented plantings and low yields due to natural disasters.

Activities in fiscal year 1975 included:

Feed Grain Allotments established	2,769,241
Wheat Allotments established	1,358,596
Number of participating upland cotton farms (1975 crop) ...	254,109
Number of disaster program applications received ,.....	580,419

Loan and Price Support program. Support is mandatory for the commodities designated as "basic" in the Agricultural Adjustment Act of 1938, as amended - tobacco, peanuts, cotton, wheat, corn, and rice. Mandatory nonbasic commodities include barley, oats, rye, grain sorghums, tung nuts and oil, honey, milk, and the products of milk. The Secretary is also authorized to make support available on other than mandatory nonbasic commodities. Support is available to producers through loans, payments, and purchases.

Activities under the program include reinspection of farm-stored loans, processing loan repayments, acquiring commodities, and the sale of grain under the livestock feed program.

Loan and Price Support program activities in fiscal year 1975 included:

Number of support loans	1,871,962
Dollar value of loans:	
Feed Grains	98,025,888
Wheat	42,709,302
Rice	73,029,692
Cotton	305,316,727
Other	280,054,303
Number of loan repayments and reconcentration settlements	96,532
Reinspection of farm-stored loans	19,519
Number of farm-stored loans taken over	10
Number of warehouse loans acquired (except cotton) ...	5

Wool Act program. This is an incentive program to increase the annual domestic production of wool. The National Wool Act of 1954 authorized the program as a measure for national security and in promotion of the general welfare. The Agricultural Act of 1973 extended the program and established incentive prices for 1974 through 1977.

Payments are set at a level to bring the national average price received by all producers up to the national price of 72¢ per pound.

Number of applications for payment in fiscal year 1975	166,487
Amount of wool payments	\$14,648,000

CCC-owned storage facilities. This program is authorized under the CCC Charter Act. Every effort is made to make maximum use of commercial facilities in the storage of CCC-owned commodities.

Number of structures (as of June 30, 1975)	19
Number of bushels in storage (as of June 30, 1975)	0
Number of structures (as of August 22, 1975)	0

In the fiscal year 1975, 4,073 structures, with a capacity of 622,000 bushels, were transferred or sold on a sealed bid or public auction basis. The remaining storage structures owned by CCC were disposed of by August 22, 1975.

Farm storage facility program. Under this program recourse loans are made to help farmers finance storage facilities and equipment on their own farms.

Number of active facility and dryer loans (as of June 30, 1975)	111,679
Dollar value of loans outstanding June 30, 1975	198,620,000
Dollar value of loans made during fiscal year 1975	22,823,546

Land retirement programs- Cropland Adjustment, Cropland Conversion, and Water Bank Act programs. Under these programs, authorized by the Food and Agriculture Act of 1962, 1965, and 1970, farmers entered into long-term agreements to convert cropland from production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources.

Number of total agreements outstanding June 30, 1975	35,015
Number of request for agreements made during fiscal year 1975	1,655
Number of counties served by the program	547

(b) Sugar Act Program

With the expiration of the Sugar Act of December 31, 1974, the 1974 crop was the last one for which sugar payments were to be made, and funds for this purpose were appropriated in fiscal year 1975. The majority of payments for this crop were made in fiscal year 1975, with a few payments, for which funds are available, to be made in fiscal year 1976.

PROJECT STATEMENT
(On basis of available funds)

Project	1975	1976 (estimated)	1977 (estimated)
Payments to sugar producers:			
a. Continental beet area	\$48,447,609	\$4,263,414	- -
b. Continental (Louisiana- Florida) cane area	16,106,583	143,750	- -
c. Texas cane area	1,009,852	64,200	- -
d. Offshore cane area	11,911,465	3,930,068	- -
Unobligated balance available start of year	-5,848,420	-14,072,911	-5,671,479
Unobligated balance available end of year	14,072,911	- 5,671,479	
Unobligated balance lapsing	- -	- -	5,671,479
Total, appropriation or estimate ...	85,700,000	- -	- -

STATUS OF PROGRAM

The Sugar Act of 1948, as amended, which expired December 31, 1974, had a three-fold purpose:

To protect the welfare of the U. S. sugar industry.

To provide U. S. consumers with ample supplies of sugar at reasonable prices.

To promote and strengthen the export trade of the United States.

Receipts. The Sugar Act, through an amendment to the Internal Revenue Code, imposed a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct-consumption. The excise tax on manufactured sugar imposed by Section 4501(a) of the Internal Revenue Code of 1954, expired on June 30, 1975.

The U. S. Sugar Act had five main features:

1. Setting U. S. Sugar Requirements. The quantity of sugar needed to maintain adequate supplies at reasonable prices for U. S. consumers and to assure fair prices to U. S. producers was determined for each year by the Secretary of Agriculture.
2. Establishing Sugar Quotas. This yearly sugar requirement was divided among specified domestic and foreign producing areas through quotas assigned to each.
3. Providing Marketing Allotments. Within domestic quotas, allotments were established for domestic processors, when needed, to keep the sugar movements orderly in the marketing channels. No marketing allotments were in effect during 1974.
4. Setting Farm Proportionate Shares. Domestic farm production was limited, as needed, to the acreage required to produce the sugar needed to meet domestic quotas and to maintain sugar inventories. When it was determined that production plus carryover was likely to be greater than needed, restrictive proportionate shares were established for each farm.
5. Making Conditional Payments to Producers. Payments were made to producers to compensate them for adjusting their production. In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the payments had three objectives: (a) to help growers obtain adequate income for sugarcane and sugar beet production; (b) to assure growers and their field workers a fair share of the returns to the sugar industry; and (c) to prevent the employment of child labor in field work on sugar crops.

Special conditional payments were also authorized for crop deficiency or abandonment of planted acreage caused by natural disasters.

Obligations for the 1974 crop, totaling an estimated \$81,124,160 are shown below:

<u>State</u>	<u>Obligations</u>
<u>Continental beet area:</u>	
Arizona	\$583,823
California	11,511,827
Colorado	5,113,042
Idaho	3,969,946
Kansas	1,231,404
Michigan	3,254,612
Minnesota	4,816,190
Montana	1,932,231
Nebraska	3,118,461
New Mexico	16,143
North Dakota	3,752,181
Ohio	1,205,650
Oregon	546,087
Texas	667,790
Utah	646,853
Washington	3,232,205
Wyoming	<u>2,271,555</u>
Sub-total	47,870,000
<u>Continental cane area:</u>	
Florida	7,633,000
Louisiana	<u>8,602,000</u>
Sub-total	16,235,000
<u>Texas cane area:</u>	1,075,000
<u>Offshore cane area:</u>	
Hawaii	8,646,000
Puerto Rico (1973-74 Crop)	3,398,160
(1974-75 Crop)	<u>3,900,000</u>
Sub-total	<u>15,944,160</u>
Total	81,124,160

Fair Wage and Price Determinations. The Secretary, as authorized under the Act, determined fair and reasonable minimum wage rates for fieldworkers, and fair prices for sugarcane and sugarbeets. These determinations were issued after investigation, notice, and public hearing.

Studies, Surveys and Reports. Special cost studies and surveys were made in order to develop basic data for use in making wage and price determinations, as well as for other program operations under the Sugar Act.

International Sugar Agreement. Responsibility for the International Sugar Agreement activities have been reassigned to the Foreign Agricultural Service.

The following table and chart show (a) Sugar Program tax collections and obligations, FY 1938-75; and (b) sugar tax collections, program obligations, and acres of production for FY 1966-75.

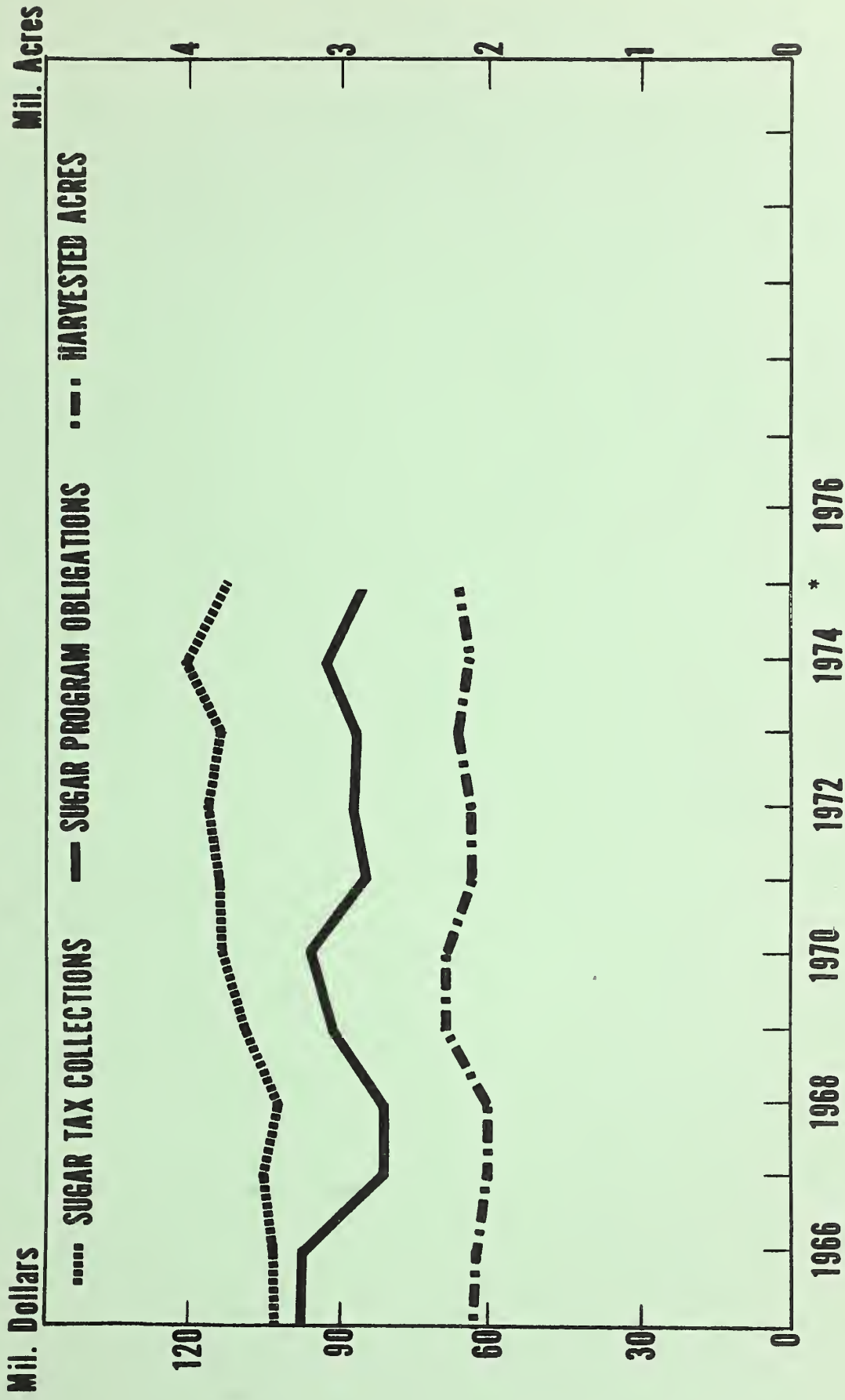
SUGAR PROGRAM TAX COLLECTIONS AND OBLIGATIONS, FY 1938-75

Fiscal Year	Sugar Tax Collections				Total Sugar Program Obligations
	Excise Tax <u>1/</u>	Import Com- pensating Tax <u>2/</u>	Sugar Import Fee <u>3/</u>	Total	
1938-1947	\$618,711,749	\$41,097,312		\$659,809,061	\$481,880,677
1948-1957	776,786,154	42,102,459		818,888,613	631,470,891
1958-1967	950,157,000	21,195,698	\$41,278,409	1,012,631,107	803,792,598
1968	102,270,000	306,590		102,576,590	81,909,000
1969	108,191,000	203,600		108,394,600	91,286,000
1970	113,309,000	180,000		113,489,000	95,084,000
1971	113,556,000	140,000		113,696,000	85,465,000
1972	115,752,000	152,800		115,904,800	88,201,000
1973	113,616,000	189,400		113,805,400	86,779,000
1974	120,006,000	59,000		120,065,000	90,965,000
1975	103,769,000	280,000		104,049,000	87,629,000
Total	3,236,123,903	105,906,859	41,278,409	3,383,309,171	2,624,462,166

Tax collections exceed total obligations in the amount of \$758,847,005 for fiscal years 1938 through 1975.

- 1/ 50¢ per 100 lbs., raw value, on all beet or cane sugar manufactured in the Continental U. S. for human consumption.
- 2/ 50¢ per 100 lbs., raw value, on all foreign direct-consumption sugar imported into Continental U. S.
- 3/ Applicable to imports of all foreign sugar (except Philippines' basic quota)--variable in size since it was dependent on price relationship between domestic and world sugar prices. Statutory authority for the sugar import fee ended December 31, 1964.
- 4/ Includes operating expenses.

SUGAR TAX COLLECTIONS, PROGRAM OBLIGATIONS, AND ACRES OF PRODUCTION FY 1966-76



*Preliminary

(c) Cropland Adjustment Program

Appropriation Act, 1976	\$42,000,000
Budget Estimate, 1977	- -
Decrease in Appropriation	<u>-42,000,000</u>

SUMMARY OF DECREASES
(On basis of appropriation)

	<u>1976</u>	<u>Decrease</u>	<u>1977</u>
Adjustment payments under 1966 program	\$17,350,000	-\$17,350,000	- -
Adjustment payments under 1967 program	<u>24,650,000</u>	<u>-24,650,000</u>	<u>- -</u>
Total	42,000,000	-42,000,000	- -

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1975</u>	<u>1976</u> <u>(estimated)</u>	<u>Decrease</u>	<u>1977</u>
Adjustment payments	\$43,801,000	\$42,000,000	-\$42,000,000	- -
Total, appropriation	43,801,000	42,000,000	-42,000,000	- -

EXPLANATION OF PROGRAM

The Cropland Adjustment Program was authorized under Title VI of the Food and Agriculture Act of 1965, which expired December 31, 1970. This program assisted farmers, through long-term agreements, to divert cropland from the production of certain crops to more needed uses that promote the development and conservation of our soil, water, forest, wildlife, and recreational resources.

In return for diverting the cropland to approved public benefit uses, producers receive adjustment payments. They are also eligible to receive cost-sharing assistance for establishing approved land treatment measures. Additional incentive payments are made to producers who entered into agreements to permit free public access to land designated under the agreement, for hunting, trapping, fishing and hiking.

Under the Greenspan provisions of the program, funds were made available to Federal, State, or local governmental agencies for use in acquiring cropland for permanent conversion to specified public uses.

Agreements were for periods of not less than 5 years nor more than 10 years, and were approved only for 1966 and 1967. The last of the agreements will expire on December 31, 1976. No funds are requested for fiscal year 1977 since payments to be made in that fiscal year will be obligated from funds made available in the Transition Quarter. Payments are normally made in October of each year.

JUSTIFICATION OF DECREASES

The decrease of \$42,000,000 is due to the expiration of the last of these agreements on December 31, 1976.

CROPLAND ADJUSTMENT PROGRAM FINANCIAL REQUIREMENTS
(In thousands)

Program	Fiscal Year 1975	Fiscal Year 1976	Fiscal Year 1977
1966 Program Payments:			
Cropland Adjustment	\$17,799	\$16,924	- -
Public Access	450	425	- -
Greenspan Annual Payments	1	1	- -
1967 Program Payments:			
Cropland Adjustment	24,867	24,116	- -
Public Access	650	500	- -
Greenspan Annual Payments	34	34	- -
Total Program Payments	43,801	42,000	- -
Total, Appropriation or Estimate ..	43,801	42,000	- -

STATUS OF PROGRAM

Nature of Program. The Cropland Adjustment Program was authorized by the Food and Agriculture Act of 1965 which expired with the 1970 crop year. It shifted cropland producing crops in actual or potential surplus into long-term (5 to 10 years) conservation uses, and helped to serve farm and nonfarm people better through (a) helping State and local government agencies purchase cropland under the Greenspan provisions; (b) making available CAP acres for free public access for hunting, trapping, fishing, and hiking; and (c) more effective stabilization of watershed lands. Agreements with producers were entered into during calendar years 1966 and 1967. Programs for entering into new agreements were not authorized after calendar year 1967.

Adjustment payments are made to producers for diverting designated crops. Accepted agreements are paid at a rate determined by the crop diverted and the productivity of that crop on the farm. Producers are eligible to receive cost-sharing assistance for establishing approved measures to conserve soil, water, or forest resources; establish, protect or conserve open spaces, natural beauty, wildlife and recreational resources; and prevent air or water pollution.

Greenspan. Under the program's Greenspan provision, State and local governments were helped to acquire cropland to be permanently converted to public benefit uses, primarily for open spaces and recreational facilities. The CAP assistance for land-purchase agreements is comparable to what farmers would receive under the program over a 1-year period for diverting land out of certain crops and into conserving uses, but in no case could such aid exceed 50 percent of the cost of the cropland. Cost-shares may be paid for designated uses, consistent with the conditions and costs under agreements entered into with producers.

Public Access. Under the public access provision of the program, landowners receive additional compensation for land diverted from crop production by permitting free public access for hunting, trapping, fishing, and hiking. The added payment does not exceed \$3 per acre.

Statistical Data. Approximately 300,000 acres were released from agreements during fiscal year 1975. Additional acres are to be released in fiscal year 1976, and the remaining acres are to be released in fiscal year 1977, the final expiration date of all agreements under this program. The following tables and charts reflect current information regarding, (a) the number of agreements, designated acres, and payments by States in fiscal year 1975, (b) a projection of costs for the life of the agreements, and (c) the payments to producers and acres under agreement for fiscal years 1967 through 1977.

Cropland Adjustment Program
Number of Agreements, Designated Acres, and Payments by States
in Fiscal Year 1975

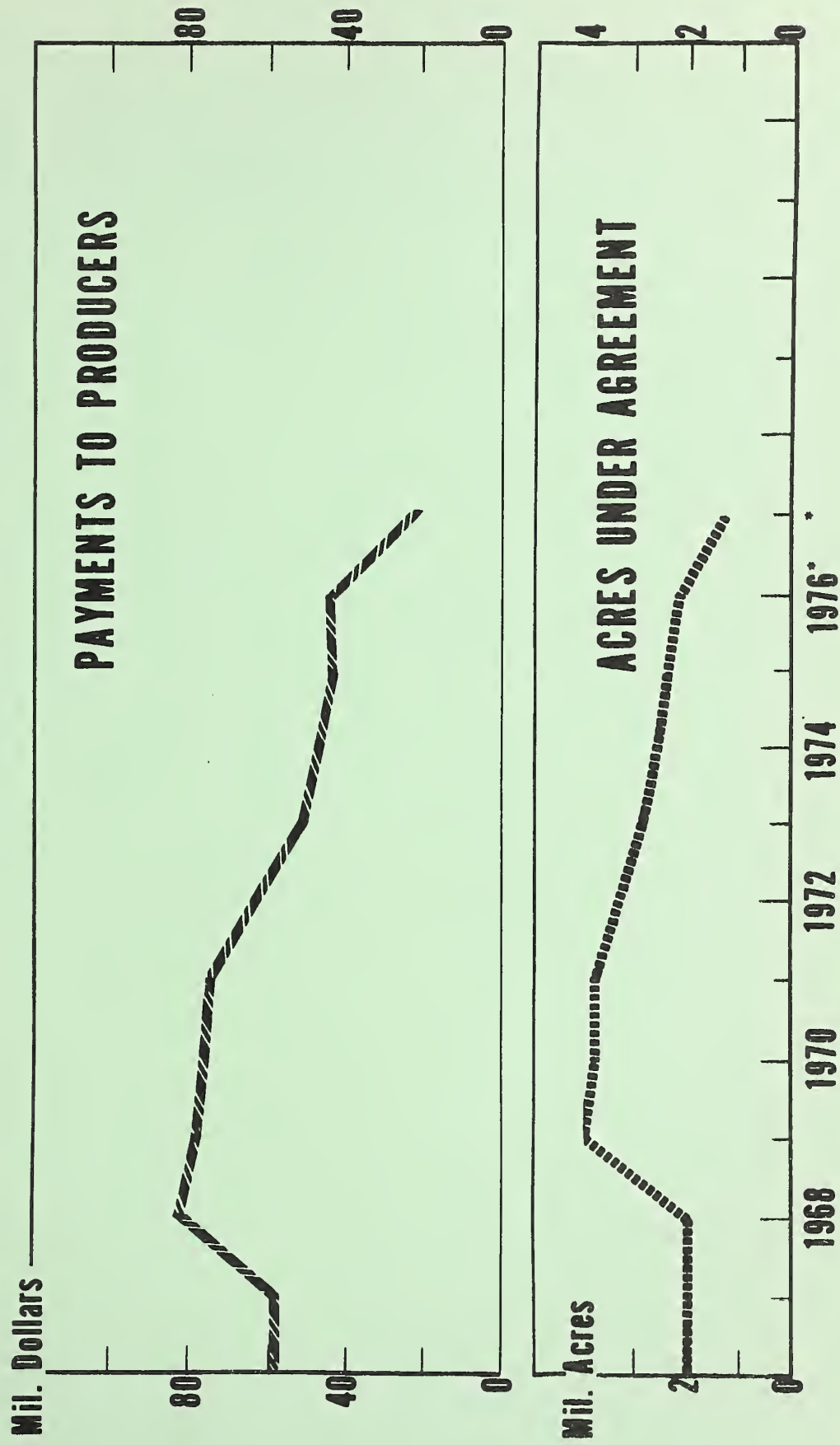
<u>State</u>	<u>Number of Agreements</u>	<u>Acres</u>	<u>Payments</u>
Alabama	1,360	76,563	\$2,137,057
Arizona	19	3,949	122,399
Arkansas	358	10,925	220,097
California	44	7,106	95,372
Colorado	370	76,704	730,225
Connecticut	79	1,041	65,397
Delaware	17	987	36,264
Florida	387	38,014	925,028
Georgia	2,012	108,710	3,058,491
Idaho	20	4,243	33,458
Illinois	374	23,526	681,605
Indiana	518	23,473	836,509
Iowa	310	25,277	761,876
Kansas	621	63,046	858,782
Kentucky	1,173	38,302	1,174,727
Louisiana	69	3,154	69,904
Maine	127	4,571	39,310
Maryland	63	2,783	70,174
Massachusetts	38	312	38,496
Michigan	2,625	117,615	2,191,987
Minnesota	1,877	136,040	1,845,558
Mississippi	544	19,766	505,965
Missouri	1,066	78,040	1,919,689
Montana	114	20,129	154,495
Nebraska	856	97,312	1,592,167
New Hampshire	2	19	681
New Jersey	82	3,759	120,025
New Mexico	1,060	242,096	2,625,037
New York	1,081	43,580	755,701
North Carolina	1,264	31,439	1,074,369
North Dakota	796	146,513	1,158,051
Ohio	1,217	43,833	1,247,680
Oklahoma	815	63,607	736,207
Oregon	30	3,157	40,962
Pennsylvania	1,146	39,953	844,324
Rhode Island	1	9	357
South Carolina	1,826	72,442	1,763,796
South Dakota	760	111,406	1,167,094
Tennessee	1,214	37,490	1,076,217
Texas	3,036	367,190	5,367,353
Utah	34	5,985	41,764
Vermont	35	1,074	13,554
Virginia	621	13,203	435,663
Washington	33	3,450	30,519
West Virginia	117	1,259	31,156
Wisconsin	2,578	108,272	2,486,012
Wyoming	31	3,676	41,018
Total	<u>32,820</u>	<u>2,325,000</u>	<u>\$41,222,572</u>

Cropland Adjustment Program

Total Payments for the Life of the Agreements
FY 1967-1977

<u>Fiscal Year</u>	<u>Acres</u> (Thousands)	<u>Total Payments</u> (Thousands)
1967	2,010	\$59,167
1968	2,003	83,744
1969	4,013	79,529
1970	3,893	77,372
1971	3,851	75,735
1972	3,327	66,783
1973	2,786	51,456
1974	2,625	47,143
1975	2,325	41,223
1976 est.	2,200	42,000
1977 est.	1,195	<u>21,000</u>
Total		<u>\$645,152</u>

CROPLAND ADJUSTMENT PROGRAM, PAYMENTS TO PRODUCERS AND ACRES UNDER AGREEMENT FY 1967-77



*Estimated

(d) Dairy and Beekeeper Indemnity Programs

Appropriation Act, 1976	\$6,650,000
Budget Estimate, 1977	4,050,000
Decrease in Appropriation	-2,600,000

SUMMARY OF INCREASES AND DECREASES

	1976	Increase or Decrease	1977 Estimate
Indemnity payments to dairy farmers ..	\$200,000	- -	\$200,000
Indemnity payments to manufacturers of dairy products	150,000	- -	150,000
Indemnity payments to beekeepers	6,300,000	-2,600,000	3,700,000
Total available	<u>6,650,000</u>	<u>-2,600,000</u>	<u>4,050,000</u>

PROJECT STATEMENT

(On basis of appropriation)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Indemnity payments to dairy farmers	\$193,389	\$200,000	- -	\$200,000
2. Indemnity payments to manu- facturers of dairy prod- ucts	- -	150,000	- -	150,000
3. Indemnity payments to bee- keepers	1,656,611	6,300,000	-2,600,000	3,700,000
Total, appropriation	<u>1,850,000</u>	<u>6,650,000</u>	<u>-2,600,000</u>	<u>4,050,000</u>

1/ Includes \$1,620,000 for payments in FY 1976 for unpaid claims carried over from FY 1975.

PROJECT STATEMENT

(On basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Indemnity payments to dairy farmers	\$193,389	\$200,000	- -	\$200,000
2. Indemnity payments to manu- facturers of dairy prod- ucts	- -	150,000	- -	150,000
3. Indemnity payments to bee- keepers	1,923,762	6,300,504	-2,600,504	3,700,000
Unobligated balance available start of year	-267,655	-504	+504	- -
Unobligated balance available end of year	504	- -	- -	- -
Total appropriation or estimate	<u>1,850,000</u>	<u>6,650,000</u>	<u>-2,600,000</u>	<u>4,050,000</u>

EXPLANATION OF PROGRAM

The appropriation "Dairy and Beekeeper Indemnity Programs" of the Agricultural Stabilization and Conservation Service funds indemnity payments to farmers, manufacturers of dairy products, and beekeepers. Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered

and approved for use by the Federal Government at the time of such use. Original authority granted under this Section terminated January 31, 1965, but the termination data has been extended seven times. The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved for use by the Federal Government. The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. That Act also authorized indemnity payments on dairy cows producing milk contaminated with pesticide residues.

The Agricultural Act of 1970 also authorized payments to beekeepers who through no fault of their own suffered losses of honeybees after January 1, 1967, as a result of the utilization of economic poisons near or adjacent to the property on which the beehives of such beekeepers were located. The authority was extended to December 31, 1977, by the Agriculture and Consumer Protection Act of 1973.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of \$2,600,000 for indemnity payments to beekeepers due to:

- (a) Less pesticide losses being anticipated in calendar year 1976 \$980,000

Large scale killing of bees and other pollinators has resulted from the widespread spraying of insecticides for the control of destructive insects. Many of our fruit, nut, vegetable, and seed crops require pollination by insects. Since the honeybee is the only insect over which we have any measurable control, the production of such crops is dependent upon the availability of honeybees as pollinators. In calendar year 1976 we anticipate less pesticide losses as a result of greater surveillance by the Environmental Protection Agency on the use of pesticides. Also, there is increased awareness by the general public on the potential dangers of pesticide uses.

- (b) Reduction for amount of FY 1975 unpaid claims included in FY 1976 estimate 1,620,000

Due to insufficient FY 1975 funds, payments could not be made for claims filed in the fourth quarter of FY 1975. Because there was insufficient time to complete action on a supplemental appropriation for FY 1975, funds to cover FY 1975 unpaid claims in the amount of \$1,300,000 were requested and approved in the FY 1976 Budget Amendment. After submission of the Budget Amendment, additional claims were filed which brought the total FY 1975 unfunded claims for payment in FY 1976 to \$1,620,000.

Rates of Payment per Colony or Queen Nuclei

Extent of Loss	For Losses Sustained		Rates for Losses Which Occurred Since 1/1/74
	Before June 10, 1972	June 10, 1972 until 12/31/73	
Colony destroyed	\$20.00	\$15.00	\$22.50
Colony severely damaged	15.00	10.00	15.00
Colony moderately damaged	5.00	5.00	7.50
Queen Nucleus destroyed	7.50	5.00	7.50
Queen Nucleus severely damaged ..	5.00	No payment	No payment

STATUS OF PROGRAM

Objective. To indemnify (a) dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because such milk or milk products contained certain chemical residues, (b) dairy farmers for cows producing milk contaminated with certain chemical residues, and (c) beekeepers who through no fault of their own have suffered losses of honeybees as a result of the utilization of economic poisons near or adjacent to the property on which beehives were located. The authority for payments under these objectives was extended, most recently, by the Agriculture and Consumer Protection Act of 1973.

Program Results.

Dairy Farmers. Approved claims to dairy farmers during the original period of this program (January 1, 1964, through June 30, 1965) totaled \$349,933. During the period fiscal year 1966 through 1975, approved claims totaled about \$1.5 million. During fiscal year 1975, about \$193 thousand was approved for payment to twenty-six farmers in nine States.

Dairy Manufacturers. The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, three manufacturers have been indemnified because their products were removed from the market. Payments to those three manufacturers have totaled \$141,427.

Beekeepers. The beekeeper indemnity payment program regulations and procedures were issued to the county offices in July 1971. As of November 1975, \$17.2 million had been paid to beekeepers in 48 States. Included in this amount is approximately \$6.7 million for losses occurring during 1967 through 1970 prior to the enactment of the legislation. Losses during the calendar year 1972 totaled approximately \$2 million. Payments for losses during calendar year 1973 totaled \$1.7 million. As of November 1975 over \$2.9 million had been paid beekeepers on 1974 losses and \$250 thousand on 1975 losses.

Current Outlook.

Dairy Farmers and Manufacturers. Although we have no way to accurately estimate participation in the program, indications are that, due to improved methods for detecting traces of insecticides, an increase in the number of claims may result. It is estimated that about \$350,000 will be required in fiscal year 1976 and the same amount in fiscal year 1977.

Beekeepers. Beekeepers have until April 1976 to file their claims for losses occurring during 1975. Claims received through November 1975, totaled about \$2.9 million for 1974 and about \$250 thousand for 1975 losses. It is expected that the majority of the claims for 1975 will be filed during the period January 1 through March 31, 1976. It is estimated that payments for losses occurring during 1974 CY will reach about \$3.5 million and that losses during 1975 CY will reach about \$4.5 million. It is estimated that \$3.7 million will be required in FY 1977 to make payments on losses occurring during CY 1975-76.

The following tables and chart show (a) indemnity payments made during fiscal year 1975, (b) obligations incurred during fiscal year 1975, (c) appropriation history from fiscal year 1965 to fiscal year 1977, and (d) number of payees and payments, calendar years 1971-75.

Dairy and Beekeeper Indemnity Programs

Payments - Fiscal Year 1975

State	Dairy Farmers	Beekeepers	Totals
Alabama	- -	\$55,245	\$55,245
Arizona	- -	228,717	228,717
Arkansas	- -	126,025	126,025
California	- -	527,720	527,720
Colorado	- -	14,783	14,783
Connecticut	- -	2,505	2,505
Delaware	- -	90	90
Florida	- -	14,295	14,295
Georgia	\$611	244,217	244,828
Idaho	- -	119,871	119,871
Illinois	- -	4,619	4,619
Indiana	- -	4,710	4,710
Iowa	33,408	3,238	36,646
Kansas	3,217	2,153	5,370
Kentucky	- -	- -	- -
Louisiana	- -	139,485	139,485
Maine	- -	3,600	3,600
Maryland	- -	6,712	6,712
Massachusetts	- -	22,530	22,530
Michigan	- -	19,110	19,110
Minnesota	- -	25,905	25,905
Mississippi	- -	72,930	72,930
Missouri	- -	540	540
Montana	3,319	13,164	16,483
Nebraska	18,674	70,682	89,356
Nevada	- -	5,040	5,040
New Hampshire	- -	878	878
New Jersey	- -	6,392	6,392
New Mexico	- -	12,152	12,152
New York	- -	30,750	30,750
North Carolina	- -	6,975	6,975
Ohio	30,316	1,497	31,813
Oklahoma	8,176	8,881	17,057
Oregon	- -	99,332	99,332
Pennsylvania	- -	6,255	6,255
Rhode Island	- -	5,198	5,198
South Carolina	- -	8,520	8,520
South Dakota	- -	- -	- -
Tennessee	- -	9,667	9,667
Texas	44,445	90,734	135,179
Utah	- -	32,301	32,301
Vermont	- -	105	105
Virginia	- -	4,312	4,312
Washington	- -	325,780	325,780
West Virginia	- -	7,800	7,800
Wisconsin	51,223	103,925	155,148
Wyoming	- -	11,310	11,310
Puerto Rico	- -	1,600	1,600
Total	\$193,389	\$2,502,250	\$2,695,639

Dairy and Beekeeper Indemnity Programs

Obligations - Fiscal Year 1975

State	Dairy Farmers	Beekeepers	Totals
Alabama	--	\$56,745	\$56,745
Arizona	--	205,000	205,000
Arkansas	--	116,230	116,230
California	--	475,345	475,345
Colorado	--	14,600	14,600
Connecticut	--	2,505	2,505
Delaware	--	-85	-85
Florida	--	12,900	12,900
Georgia	\$611	236,134	236,745
Idaho	--	76,847	76,847
Illinois	--	4,619	4,619
Indiana	--	4,613	4,613
Iowa	33,408	2,092	35,500
Kansas	3,217	1,812	5,029
Kentucky	--	-2,854	-2,854
Louisiana	--	138,633	138,633
Maine	--	3,467	3,467
Maryland	--	6,712	6,712
Massachusetts	--	22,280	22,280
Michigan	--	18,459	18,459
Minnesota	--	-11,406	-11,406
Mississippi	--	76,000	76,000
Missouri	--	354	354
Montana	3,319	13,422	16,741
Nebraska	18,674	24,886	43,560
Nevada	--	-7,542	-7,542
New Hampshire	--	773	773
New Jersey	--	6,445	6,445
New Mexico	--	9,758	9,758
New York	--	26,000	26,000
North Carolina	--	5,290	5,290
Ohio	30,316	1,762	32,078
Oklahoma	8,176	8,883	17,059
Oregon	--	57,400	57,400
Pennsylvania	--	5,670	5,670
Rhode Island	--	-18,570	-18,570
South Carolina	--	8,520	8,520
Tennessee	--	5,052	5,052
Texas	44,445	30,780	75,225
Utah	--	32,306	32,306
Vermont	--	-6,000	-6,000
Virginia	--	2,818	2,818
Washington	--	143,650	143,650
West Virginia	--	7,800	7,800
Wisconsin	51,223	103,347	154,570
Wyoming	--	11,310	11,310
Puerto Rico	--	-11,000	-11,000
Total	\$193,389	\$1,923,762	\$2,117,151

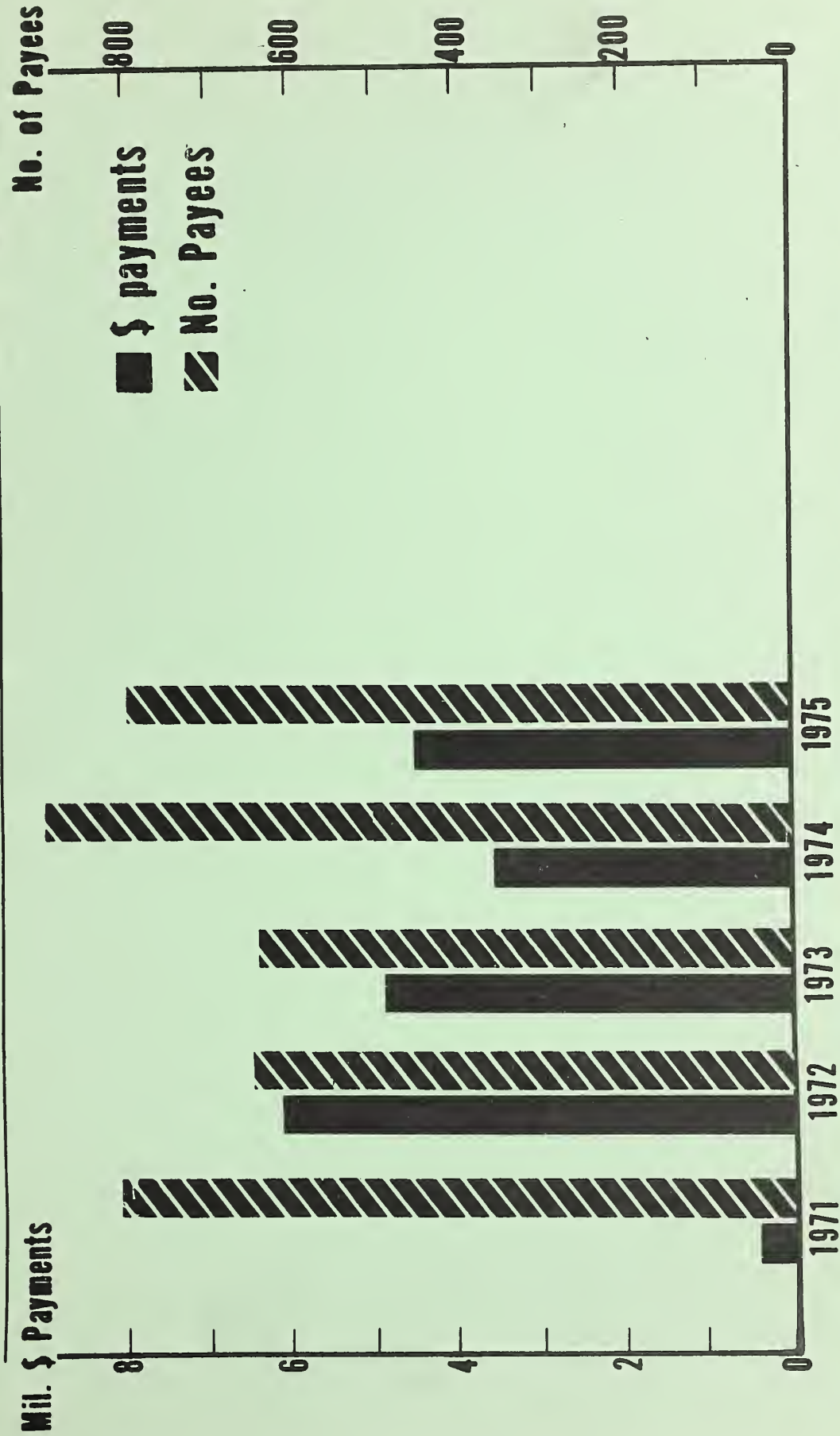
Dairy and Beekeeper Indemnity Programs
Appropriation and Payment History - FY 1965 to 1977

Fiscal Year	Amount Appropriated	Payments			
		Dairy Farmers	Manuf. of Dairy Prod.	Beekeepers	Total
1965	\$8,800,000 <u>1/</u>	\$349,933	-	-	\$349,933
1966	300,000	150,611	-	-	150,611
1967	400,000	279,533	-	-	279,533
1968	300,000	194,727	-	-	194,727
1969	300,000	104,416	-	-	104,416
1970	200,000	184,410	-	-	184,410
1971	4,050,000	71,474	-	-	71,474
1972	7,500,000	46,082	\$15,500	\$2,911,828	2,973,410
1973	3,500,000	36,553	94,666	6,630,954	6,762,173
1974	-	144,477	31,261	3,737,261	3,912,999
1975	1,850,000	193,389	-	2,502,250	2,695,639
1976 (est.)	6,650,000	200,000	150,000	6,325,000	6,675,000
1977 (est.)	4,050,000	200,000	150,000	3,700,000	4,050,000
Total	XXXXX	\$2,155,605	\$441,427	\$25,807,293	\$28,404,325

1/ Includes \$7,800,000 returned to Office of Economic Opportunity, which initially financed this program pending direct appropriations to USDA.

DAIRY AND BEEKEEPER INDEMNITY PROGRAMS

Payments and No. Payees - CY 1971-74 (Actual) and CY 1975 (Estimate)



Payees represent number of dairy farmers or beekeepers who filed claims for losses during that calendar year and does not necessarily mean that they were paid during that calendar year. Generally, beekeepers are paid in the calendar year following the year in which loss occurred.

(e) Agricultural Conservation Program

	On Appropriation Basis	On Program Authorization Basis
Appropriation Act, 1976	\$190,000,000	\$175,000,000
Budget Estimate, 1977	90,000,000	- -
Decrease	<u>-100,000,000</u>	<u>-175,000,000</u>

Note: The Agricultural Conservation Program is operated on a program or crop-year basis with an obligating period of 18 months. Payments are made throughout the life of the agreements, some of which run for ten years.

PROJECT STATEMENT

(on basis of appropriation to liquidate prior authority)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Cost-sharing assistance to farmers	\$300,500,000	\$190,000,000	-\$100,000,000	\$90,000,000
Adjustments:				
Difference in amount available for purchase of conservation materials and services from subsequent fiscal years appropriation for current program and amount available for such purposes from current year ..	-40,000,000	+25,000,000	-25,000,000	- -
Received by loan from CCC	-17,000,000	-25,000,000	+25,000,000	- -
Payments of CCC loan ..	+42,000,000	- -	- -	- -
Total available or estimate	285,500,000	190,000,000	-100,000,000	90,000,000

EXPLANATION OF PROGRAM

The Agricultural Conservation Program is authorized in sections 7 to 15, 16(a) and 17 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, as amended, and supplemented (16 U.S.C. 590g-590o, 590p (a), and 590q), and sections 1001-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1508, and 1510). Funds for the program are authorized annually by the Congress.

Funds are allocated to State Agricultural Stabilization and Conservation (ASC) Committees on the basis of their respective conservation needs as determined by the Secretary of Agriculture. The State ASC Committees, in turn, allocate the funds to the county committees.

The County ASC Committee, in consultation with the County Program Development Group, develops the county program within national guidelines. The national guidelines are developed by ASCS in consultation with the National Program Development Group. The State ASC Committee, in consultation with the State Program Development Group, provides county committees with additional guidelines for practice development. The State committee reviews county programs to determine conformance with national guidelines and regulations. The State program is a composite of the county programs after all have been developed and reviewed.

Through ACP, the Federal Government shares with farmers the cost (usually 50-50 basis) of carrying out needed conservation protection measures on their farms. Practices emphasized are those which help to provide long-range preservation of the environment and return greater benefits to the public. The program provides a basis for obtaining increased performance of soil and water conserving practices which contribute to the preservation and enhancement of the environment.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil-and-water conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

JUSTIFICATION OF DECREASE IN APPROPRIATION TO LIQUIDATE PRIOR AUTHORITY

A decrease of \$100,000,000 in appropriation for making cost-share payments to farmers in fiscal year 1977.

- (a) A decrease of \$15,000,000 is due to a reduction in program authorization (contract authority) from \$190,000,000 in 1975 to \$175,000,000 in 1976.
- (b) A decrease of \$85,000,000 is due to requesting a supplemental appropriation for this amount in the transition quarter so that payments to farmers can be made during July-September 1976 on the 1976 program. The remaining balance of the appropriation to liquidate the 1976 program is requested in 1977.

JUSTIFICATION OF DECREASE IN NEW PROGRAM AUTHORIZATION

A decrease of \$175,000,000 in new program authority for fiscal year 1977.

No authority is requested in 1977 to enter into new contracts under the Agricultural Conservation Program. The Administration will propose new conservation cost-share legislation designed to replace overlapping and duplicative authorities currently in effect. The new legislative proposal will emphasize cost-sharing for long-term enduring conservation practices on a nationwide basis.

STATUS OF PROGRAM

Program Purposes: The general policy and the purposes of the Agricultural Conservation Program are stated in sections 7-15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, as amended. Natural resources conservation and enhancement, with assurance of sufficient stable supplies of foods and fibers, are primary among these stated purposes.

Program Accomplishments: To accomplish the program's purposes, cost-sharing assistance is authorized in the 50 States, Puerto Rico, and the Virgin Islands. About one hundred thousand farmers, ranchers, and woodland owners a year (or about one in fifty) received cost-share payments for performing approved soil, water, woodland, and wildlife conservation practices and water, air, and land pollution prevention and abatement practices.

Of the 6.3 million practice acres (about one in 65 of cropland acres) on participating farms in 1974, 100% of the cost-share funds went for enduring practices, as compared with 97% for 1973, 96% for 1972, 95% for 1971, 92% for 1970 and 87% for 1969.

The extent to which the following practices were performed in 1974 (latest year for which data are available) and in the period 1936-1974 are shown below:

Practice	Unit	Extent under 1974 program*	Total accomplishments 1936-1974
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses	1,000 Structures	17	2,308
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	308	34,215
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution	1,000 acres	15	114,346
Trees and shrubs planted for forestry purposes, erosion control, or environmental enhancement	1,000 acres	43	5,590
Forest tree stands improved for forestry purposes or environmental enhancement	1,000 acres	72	4,636
Wildlife conservation	1,000 acres	162	13,894 <u>1/</u>
Sediment pollution-abatement structures or runoff control measures	1,000 acres	1,254	9,006 <u>2/</u>

* Includes regular and LTA.

1/ From 1962 with certain data estimated.

2/ 1970-73 only.

The program for 1975: The program objective for 1975 was to cost-share with public funds the performance of enduring soil and water conservation measures on farmland which farmers would not perform without cost-sharing assistance, thus assuring that the public tax dollar is buying needed conservation beyond that which the farmer would not otherwise accomplish on his own.

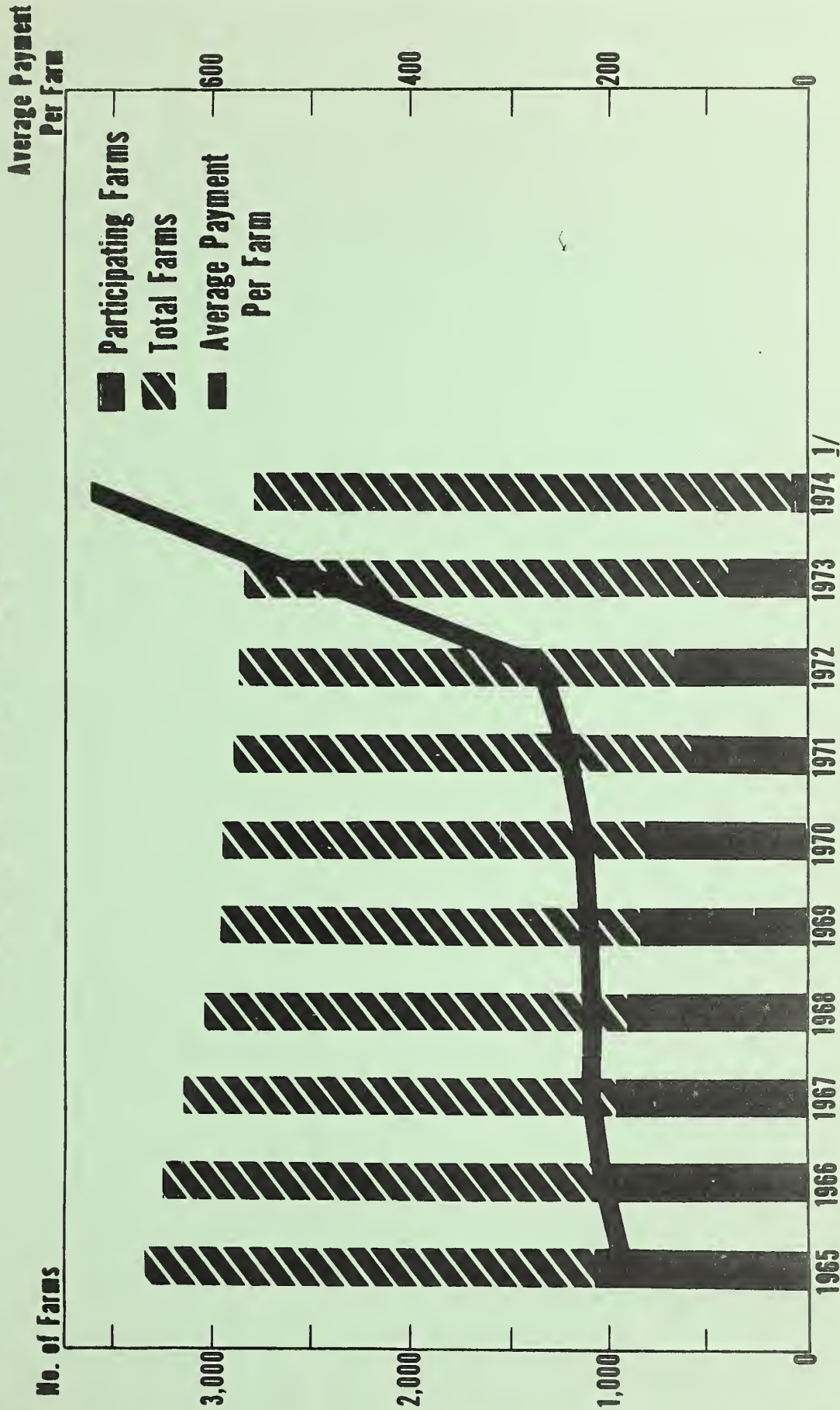
Authority was delegated to the COC's in consultation with the county program development group, to develop practices which would assure that the program was designed to accomplish these program objectives and meet local needs.

The authority to enter into long-term cost-share agreements, as well as annual, with landowners was continued in 1975.

The chart on the following page shows for program years 1965 - 1974 the total number of U. S. farms, number of participating farms, dollar outlays, and average payment per farm.

AGRICULTURAL CONSERVATION PROGRAMS

Total Number of U.S. Farms - Number of Participating Farms, Dollar Outlays, and Average Payment Per Farm -- Program Years 1965-1974



\$ MIL.
OUTLAYS

1/ Number of participating farms, dollar outlays, and average payment per farm does not include long-term agreements.

(f) Water Bank Act Program

Appropriation Act, 1976	\$10,000,000
Budget Estimate, 1977	- -
Decrease in Appropriation	-10,000,000

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977</u>
Annual payments to landowners and operators and technical assistance (allocation to SCS)	- -	- -	- -
Proposed rescission	\$10,000,000	-10,000,000	- -
Total available	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

PROJECT STATEMENT

(On the basis of appropriation)

<u>Project</u>	<u>1975</u>	<u>1976 (estimated)</u>	<u>Decrease</u>	<u>1977 (estimated)</u>
Annual payments to owners and operators	\$1,707,883	- -	- -	- -
Technical assistance (al- location to SCS)	435,647	- -	- -	- -
Proposed rescission	- -	a/ 10,000,000	-10,000,000	- -
Total appropriation or estimate	<u>2,143,530</u>	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

a/ A request has been submitted to the Congress to rescind \$10,000,000.
(Rescission Proposal No. R76-16)

PROJECT STATEMENT

(On the basis of available funds)

<u>Project</u>	<u>1975</u>	<u>1976 (estimated)</u>	<u>Increases or Decreases</u>	<u>1977 (estimated)</u>
Annual payments to landowners and operators	\$6,247,160	\$11,078,863	-\$11,078,863	- -
Technical assistance (alloca- tion to SCS)	467,258	890,000	-721,000	\$169,000
Receipts and reimbursements ...	-6,982	-10,000	+5,000	-5,000
Balance brought forward from prior years	-17,543,712	-12,979,806	+12,108,863	-870,943
Proposed rescission	- -	a/ 10,000,000	-10,000,000	- -
Balance carried forward to next year	12,979,806	1,020,943	-314,000	706,943
Total, appropriation or estimate	<u>2,143,530</u>	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

a/ A request has been submitted to the Congress to rescind \$10,000,000.
(Rescission Proposal No. R76-16)

EXPLANATION OF PROGRAM

The appropriation "Water Bank Act Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970. Its purpose is to conserve water, preserve and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting and breeding areas.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for ten years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas for agricultural purposes, as determined by the Secretary. The Secretary makes annual payments to the owner or operator at a rate to be determined.

The Secretary carries out the program in harmony with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to assure proper coordination.

JUSTIFICATION OF DECREASES

A decrease of \$10,000,000 for annual payments to owners and operators and technical assistance (allocation to the Soil Conservation Service) since no program is proposed for 1977.

The overall objective of the Water Bank Program to preserve and improve the migratory water-fowl habitat is similar to that of programs currently operated by the Department of Interior. The major difference is that the Department of Interior programs provide for the perpetual easement of wetlands whereas the Water Bank Program can only temporarily protect such lands. It is therefore felt that the Water Bank Program can be discontinued without a severe impact on the nation since the Department of Interior program achieves the same overall objective.

A rescission proposal has been submitted to Congress which would rescind the entire FY 1976 appropriation of \$10,000,000 and the transition quarter appropriation of \$2,500,000. The Department is proposing no new program for 1977. Payments under 1972, 1974, and 1975 program agreements will continue to be made for the term of the agreements from funds currently available.

The Administration plans to propose new conservation cost-sharing legislation designed to replace overlapping and duplicative authorities currently in effect. The legislative proposal will emphasize cost-sharing for long-term enduring conservation practices on a nationwide basis.

STATUS OF PROGRAM

The objectives of this program are to conserve water, preserve and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting and breeding areas.

Program Provisions:

Under the Water Bank Program, eligible persons in selected areas having eligible wetlands in important migratory waterfowl nesting and breeding areas could enter into 10-year agreements, with provisions for renewal, and receive annual payments for the conservation of water and to meet other purposes of the Act.

Participation:

1972 Program

Sign-up period: May 22 through June 9, 1972.

The actual participation in the 1972 program is shown in the table which follows:

State	Number of Counties	Number of Agreements	Designated Acres	Annual payment for designated acreage
California	2	14	3,414	\$26,176
Louisiana	1	9	842	4,207
Maine	1	25	1,924	9,799
Minnesota	10	307	12,279	116,191
Mississippi	1	22	3,578	17,892
Montana	6	43	4,638	43,760
Nebraska	2	11	470	6,992
North Dakota	15	268	24,372	212,338
Oregon	1	2	1,020	9,142
South Dakota	12	176	15,124	129,363
Vermont	1	24	1,710	10,868
Washington	1	12	971	9,775
Wisconsin	3	144	7,488	63,763
Total	56	1,057	77,830	\$660,266

No agreements were entered into for a 1973 program.

1974 Program

Sign-up period: February 4 through 15, 1974.

The actual participation (as of 6/30/75) in the 1974 program is shown in the table which follows:

State	Number of Counties	Number of Agreements	Designated Acres	Annual payment for designated acreage
Arkansas	1	23	4,004	\$18,000
California	2	15	8,232	77,866
Louisiana	1	4	505	2,676
Maine	1	26	968	4,988
Michigan	1	17	538	5,888
Minnesota	10	354	15,793	176,918
Mississippi	1	8	4,036	20,178
Montana	6	29	2,025	19,098
Nebraska	2	7	329	3,903
North Dakota	17	266	25,921	205,148
Oregon	1	--	--	--
South Dakota	14	180	15,574	154,648
Vermont	1	22	1,366	12,804
Washington	1	4	412	6,187
Wisconsin	3	69	3,013	26,966
Total	62	1,024	82,716	\$735,268

1975 Program

Sign-up period: April 14 through 25, 1975.

The actual participation (as of 11/28/75) in the 1975 program is shown in the table which follows:

State	Number of Counties	Number of Agreements	Designated Acres	Annual payment for designated acreage
Arkansas	1	7	4,140	\$20,000
California	2	13	2,822	25,290
Louisiana	1	4	330	1,650
Maine	1	28	1,603	8,383
Michigan	1	9	348	2,871
Minnesota	10	192	9,752	106,178
Mississippi	1	19	3,128	15,640
Montana	3	4	232	1,863
Nebraska	3	16	919	12,221
North Dakota	23	320	40,975	319,359
South Dakota	19	96	15,129	156,695
Vermont	2	53	2,842	17,287
Wisconsin	5	95	3,557	35,181
Total	72	856	85,777	\$722,618

Water Bank Act Program
Obligations - Fiscal Year 1975

State	Obligations
Arkansas	\$86,770
California	620,260
Louisiana	26,760
Maine	49,880
Michigan	35,110
Minnesota	575,400
Mississippi	-2,220
Montana	170,980
Nebraska	31,950
North Dakota	3,396,420
South Dakota	867,540
Vermont	121,160
Wisconsin	267,150
Total ASCS Program Obligations	6,247,160
Total SCS Obligations	467,258
Grand Total	\$6,714,418

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(g) Emergency Conservation Measures

Appropriation Act, 1976	\$10,000,000
Budget Estimate, 1977	<u>10,000,000</u>
Increase in Appropriation	- -

SUMMARY OF INCREASES AND DECREASES

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Emergency cost-sharing assistance to farmers	\$10,000,000	- -	\$10,000,000
Total available	<u>10,000,000</u>	<u>- -</u>	<u>10,000,000</u>

PROJECT STATEMENT
(On the basis of appropriation)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Emergency cost-sharing assist- ance to farmers	\$10,000,000	\$10,000,000	- -	\$10,000,000
Total, appropriation or esti- mate	10,000,000	10,000,000	- -	10,000,000

PROJECT STATEMENT
(On the basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Emergency cost-sharing assist- ance to farmers	\$6,145,757	\$15,000,000	- -	\$15,000,000
Balance brought forward from prior years	-19,687,589	-23,541,832	+5,000,000	-18,541,832
Balance carried forward to next year	23,541,832	18,541,832	-5,000,000	13,541,832
Total, appropriation	10,000,000	10,000,000	- -	10,000,000

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Measures" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Third Supplemental Appropriation Act of 1957. Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Cost-sharing may be offered for emergency conservation measures only to replace or restore a practice or to restore the land to a condition similar to that existing prior to the natural disaster; and may not be offered for the solution of conservation problems existing prior to the disaster involved.

Emergency conservation measures or practices for which cost-sharing may be authorized are:

Practice EC1. Removing debris from farmland, including farmsteads and roadways.

Practice EC2. Grading, shaping, releveled or similar measures to restore farmland.

Practice EC3. Restoring permanent fences.

Practice EC4. Restoring structures and other installations.

Practice EC5. Emergency wind erosion control measures.

Practice EC6. Drought emergency measures.

Practice EC7. Other emergency conservation measures.

Practices EC1 through EC6 are approved by the ASC county committee. Practice EC7 requires prior approval of the ASC State committee.

The proposed appropriation of \$10 million, in addition to unobligated balances carried forward from 1976, would make available \$28.5 million in 1977. We feel that this is a reasonable level of funds to maintain for this emergency program to provide the assurance of fund availability for prompt emergency cost-sharing assistance if needed.

STATUS OF PROGRAM

The Emergency Conservation Measures program was first authorized in the Third Supplemental Appropriation Act, 1957, (Public Law 85-58). Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Appropriations and Outlays
Emergency Conservation Measures
FY 1957-76

Fiscal Year	Appropriation	Outlays
1957	\$4,000,000	\$930,800
1958	20,000,000	1,974,898
1959	- -	3,211,377
1960	- -	896,656
1961	- -	549,201
1962	5,000,000	8,796,544
1963	- -	2,701,428
1964	4,000,000	3,392,835
1965	14,000,000	10,007,537
1966	24,000,000	13,189,570
1967	5,000,000	5,701,969
1968	5,000,000	5,403,016
1969	5,000,000	7,143,935
1970	5,000,000	8,303,981
1971	5,000,000	12,364,588
1972	12,000,000	7,407,073
1973	25,000,000	9,227,765
1974	10,000,000	18,195,465
1975	10,000,000	8,152,886
1976	10,000,000	15,000,000 (est.)
	\$163,000,000	\$142,551,524

Since July 1, 1975, about \$8.8 million has been allocated to partially cover restoration measures to be carried out in States affected by floods and tornadoes which occurred since the spring of 1975.

The table which follows shows participation in the 1965 through 1974 programs.

EMERGENCY CONSERVATION MEASURES (ECM)

COST SHARES AND PARTICIPATING FARMS

BY PROGRAM YEAR 1965-1974

PROGRAM YEAR - From July 1 to December 31 of the next succeeding fiscal year.										
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
COST- SHARES	\$13,910,566	6,544,066	4,072,711	8,827,952	6,794,003	8,198,672	14,733,756	3,936,791	24,283,166	8,309,792
PARTICIPA- TING FARMS	34,580	16,959	12,279	22,749	12,102	13,810	38,485	8,958	37,011	13,831

Following are allocations by States for cost-sharing assistance for the 1974, 1975, and 1976 programs (as of November 30, 1975).

State	P R O G R A M Y E A R		
	1974	1975	1976
Alabama	\$144,973	\$1,155,000	\$555,000
Arizona	- -	- -	75,000
Arkansas	- -	50,000	2,500
California	512,425	- -	- -
Colorado	- -	- -	49,000
Florida	- -	- -	1,125,000
Georgia	- -	518,000	120,000
Idaho	129,040	83,000	56,000
Illinois	7,200	405,000	85,000
Indiana	694,473	25,000	- -
Iowa	26,778	88,000	6,500
Kansas	705,000	- -	125,000
Kentucky	1,250,000	205,000	- -
Louisiana	- -	30,000	- -
Maine	- -	34,243	15,000
Maryland	- -	- -	270,000
Massachusetts	33,000	- -	- -
Michigan	- -	- -	5,000
Minnesota	- -	5,000	708,000
Mississippi	38,000	80,000	- -
Missouri	2,274,403	80,000	- -
Montana	- -	1,642,000	35,000
Nebraska	2,874	- -	140,000
Nevada	- -	- -	54,800
New Hampshire	110,566	- -	- -
New Jersey	- -	- -	150,000
New Mexico	67,128	- -	100,000
New York	285,000	10,000	340,000
North Carolina	- -	275,000	200,000
North Dakota	- -	- -	465,000
Ohio	56,007	150,000	5,000
Oklahoma	575,000	26,000	125,000
Oregon	1,165,000	70,000	77,250
Pennsylvania	- -	28,000	700,000
Tennessee	145,000	350,000	- -
Texas	112,416	1,050,000	1,360,000
Utah	- -	- -	11,000
Vermont	- -	25,000	100,000
Virginia	- -	- -	24,000
Washington	300,000	- -	- -
Wisconsin	- -	140,000	160,000
Puerto Rico	- -	- -	400,000
Totals	\$8,634,283	\$6,524,243	\$7,644,050

Emergency Conservation Measures

Obligations - Fiscal Year 1975

State	Obligations
Alabama	\$507,495
Arizona	-9,236
Arkansas	45,568
California	224,878
Colorado	45,278
Florida	-3,342
Georgia	12,647
Idaho	95,915
Illinois	360,775
Indiana	571,399
Iowa	-74,311
Kansas	303,885
Kentucky	1,123,517
Louisiana	-21,654
Maine	41,170
Massachusetts	-315
Michigan	-23,347
Mississippi	36,214
Missouri	1,229,749
Nebraska	-18,709
New Hampshire	7,733
New Mexico	-13,146
New York	108,325
North Carolina	97,098
Ohio	140,368
Oklahoma	315,070
Oregon	606,466
Pennsylvania	-203,878
Tennessee	-145,741
Texas	35,978
Vermont	513,098
Virginia	3,266
Washington	117,738
West Virginia	73,334
Wisconsin	43,200
Wyoming	-728
Total	\$6,145,757

Om. Expenses

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(h) Forestry Incentives Program

Appropriation Act, 1976	\$15,000,000
Budget Estimate, 1977	- -
Decrease in Appropriation	- \$15,000,000

SUMMARY OF INCREASES AND DECREASES
(On basis of Appropriation)

	1976	Increase or Decrease	1977 Estimate
Cost-share assistance to landowners ..	\$13,500,000	-\$13,500,000	- -
Technical assistance to landowners ...	1,500,000	-1,500,000	- -
Total available	<u>15,000,000</u>	<u>-15,000,000</u>	<u>- -</u>

PROJECT STATEMENT
(on basis of Appropriation)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Cost-share assistance to landowners	\$13,500,000	- -	- -	- -
Technical assistance (Allocation to Forest Service)	1,500,000	- -	- -	- -
Proposed rescission ...	- -	15,000,000 ^{1/}	-15,000,000 ^{1/}	- -
Total appropriations or estimate	15,000,000	15,000,000	-15,000,000	- -

^{1/} A request has been submitted to the Congress to rescind \$15,000,000.
(Rescission Proposal No. R76-17)

PROJECT STATEMENT
(on the basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
Cost-share assistance to landowners	\$5,034,064	\$8,465,771	-\$8,465,771	- -
Technical assistance (allocation to Forest Service)	685,165	815,000	-815,000	- -
Balance brought forward from prior years	- -	-9,280,771	+9,280,771	- -
Proposed rescission	- -	15,000,000 ^{1/}	-15,000,000	- -
Balance carried forward to next year	9,280,771	- -	- -	- -
Total, appropriation or estimate	15,000,000	15,000,000	-15,000,000	- -

^{1/} A request has been submitted to the Congress to rescind \$15,000,000.
(Rescission Proposal No. R76-17)

EXPLANATION OF PROGRAM

The appropriation "Forestry Incentives Program" of the Agricultural Stabilization and Conservation Service, funds the activities authorized by Section 1009 and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973. Its purpose is to encourage the development, management, and protection of non-industrial private forest lands to increase the production of timber.

The program is carried out through annual and long-term cost-sharing agreements with private landowners who plant trees or improve a stand of forest trees.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of \$15,000,000 since no program is proposed for 1977, which consists of:

- (a) A decrease of \$13,500,000 for cost-share assistance to landowners.
- (b) A decrease of \$1,500,000 for technical assistance allocated to the Forest Service.

A rescission proposal has been submitted to Congress proposing to rescind the entire FY 1976 appropriation of \$15,000,000 and the transition quarter appropriation of \$3,750,000.

No new funding is requested for the Forestry Incentives Program in fiscal year 1977. The Administration plans to propose new conservation cost-share legislation designed to replace overlapping and duplicative authorities currently in effect. The legislative proposal will emphasize cost-sharing for long-term enduring conservation practices on a nationwide basis including the planting of trees.

Payments under agreements entered into under the 1975 Forestry Incentives Program will continue to be made for the term of the agreements. These payments were obligated in prior years and will be reflected as outlays in the years the payments are made.

STATUS OF PROGRAM

The Forestry Incentives Program (FIP) was authorized by sections 1009 and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1509-1510). A Forestry Incentives Program was administered as a part of the Agricultural Conservation Program in FY 1974. In FY 1975 it became a separately funded program. The Agricultural Stabilization and Conservation Service (ASCS) administers the program with the Forest Service providing technical assistance.

Program Objectives: To increase the supply of timber by non-industrial private landowners through cost-sharing assistance of expenses for planting trees, or improving a stand of forest trees.

Cost-Share Assistance: The Forestry Incentives Program shares from 50 to 75 percent of the cost of tree planting and timber stand improvement, depending on the cost-share rate set in a particular State and county by the Agricultural Stabilization and Conservation (ASC) committee, with the landowner. FIP is available in counties designated on the basis of a Forest Service survey of total eligible private timber for production of timber products.

Eligibility Requirements: To be eligible for cost-share assistance under FIP, a landowner must:

1. Own a tract of land of no more than 500 acres of eligible forest land (unless ASCS determines it is in the public interest to grant an exception for a larger unit).
2. Be a private forest landowner. Any individual, group, association or corporation may be eligible provided they are not regularly engaged in the business of manufacturing forest products or providing public utility services of any type.
3. Have land that is suitable for forestation if presently not in trees; for reforestation; or for improved forest management. Usually, the eligible species for planting are softwoods, but hardwoods proven to be successfully plantable may be approved in specified areas.
4. Have land that is capable of producing marketable timber crops and meets minimum productivity standards established for this program in the landowners State.
5. Have had no commercial harvest on lands for which FIP cost-sharing application is made within the past five years. Salvage cuttings, cuttings to regenerate unproductive stands, and cuttings to convert unproductive species, are not considered commercial harvest, so are exempted from this rule.

Eligible Forestry Practices: There are two eligible forestry practices authorized for FIP:

FP1. Planting Trees

This practice is intended to increase the production of timber and improve the environment. Site preparation is an authorized part of the practice if certified by the forester as being necessary.

FP2. Improving a Stand of Forest Trees

This practice is aimed at increasing growth of trees on sites suitable for production of sawtimber and veneer logs. Both softwood and hardwood improvement practices will qualify. Precommercial thinning, pruning of crop trees, and releasing desirable seedlings and young trees are acceptable measures, as well as site preparation for natural regeneration.

Program Operation: Once an eligible landowner contacts the county ASCS office or Agricultural Service Center an examination of the landowners property is made by the State forestry agency to certify the need for the practice. A forest management plan is developed by the landowner through consultation with the State forester as a qualification for cost-sharing assistance. The plan, when completed, must be approved by the State forester or his representative and a copy provided to the county ASC committee. The State forestry agency provides technical advice and helps find approved vendors (if needed) for getting the work accomplished. Once the State forestry agency certifies that the project has been completed, cost-share payments are made by the county ASCS office or Agricultural Service Center.

The landowner may enter into either annual or long-term agreements (3-10 years). Payment limitations for both agreements is \$10,000 to any person during any year.

Cost-sharing will be allowed only once on the same acre of ownership. The only exception permitted is for release of planted trees from over-topping vegetation when specified by the forester.

The following table reflects (a) allocations, (b) obligations, and (c) net outlays during the FY 1975 program for each State and for technical assistance rendered by the Forest Service.

Forestry Incentives Program
Allocations to States, Obligations, and Net Outlays
in Fiscal Year 1975 by States 1/

State	Allocation to States	Obligations	Net Outlays
Alabama	\$1,201,500	\$538,072	\$6,480
Alaska	5,000	- -	- -
Arizona	15,000	14,925	- -
Arkansas	583,300	218,611	25,766
California	100,000	70,047	- -
Colorado	50,000	6,222	- -
Connecticut	93,800	19,092	- -
Delaware	24,700	789	12
Florida	258,700	102,697	- -
Georgia	1,019,100	350	350
Hawaii	10,000	- -	- -
Idaho	35,000	18,196	2,530
Illinois	113,800	16,083	2,688
Indiana	120,000	80,364	1,553
Iowa	74,000	28,959	305
Kansas	84,000	20,856	- -
Kentucky	453,000	19,310	1,991
Louisiana	362,200	228,137	- -
Maine	61,200	41,622	28,740
Maryland	160,400	40,582	6,420
Massachusetts	125,000	20,613	- -
Michigan	321,300	74,019	18,353
Minnesota	252,500	30,356	3,437
Mississippi	800,700	172,771	3,078
Missouri	378,400	251,330	2,033
Montana	45,000	28,050	- -
Nebraska	85,000	45,014	4,788
Nevada	5,000	- -	- -
New Hampshire	91,800	59,057	5,727
New Jersey	80,300	7,370	- -
New Mexico	15,000	9,951	2,400
New York	268,500	158,838	21,844
North Carolina	1,134,300	1,082,023	12,978
North Dakota	10,000	5,333	417
Ohio	280,400	95,220	17,145
Oklahoma	208,800	75,082	1,550
Oregon	135,000	- -	- -
Pennsylvania	506,700	67,583	11,139
Rhode Island	23,000	958	- -
South Carolina	629,000	157,594	- -
South Dakota	25,000	8,522	- -
Tennessee	268,400	24,059	2,652
Texas	798,000	210,937	156
Utah	5,000	- -	- -
Vermont	125,000	37,526	- -
Virginia	957,400	751,414	7,117
Washington	125,000	24,178	- -
West Virginia	385,000	82,019	15,661
Wisconsin	245,000	89,329	21,260
Wyoming	35,000	- -	- -
Guam	5,000	---	- -
Puerto Rico - Virgin Islands	25,000	- -	- -
Total Alloc. to States	13,219,200		
Total Unallocated	280,800		
Total ASCS	13,500,000	5,034,060	228,570
Forest Serv. Tech. Asst.	1,500,000	685,164	14,969
Total FIP	\$15,000,000	\$5,719,224	\$243,539

1/ FY 1975 program announced March 17, 1975.

(i) Conservation Reserve Program

This program ended December 31, 1972. The following table summarizes the balances carried forward, refunds, and balances lapsing for fiscal years 1975 and 1976.

Item	1975 Actual	1976 Estimated	Increase or Decrease	1977 Estimated
Obligated balance start of year ...	\$129,770	75	-75	- -
Recovery of prior year obligations.	145,506	- -	- -	- -
Annual rental payments	- -	- -	- -	- -
Unobligated balance, lapsing	-275,201	-75	75	- -
Obligated balance, end of year	75	- -	- -	- -

STATUS OF PROGRAM

The Conservation Reserve Program was enacted to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program. Under it the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover.

Rental payments have been completed. Over 28 million acres were taken out of production under this program.

Payments to Farmers for Acreage Taken out of Production Under the Conservation Reserve Program

<u>Program Year</u>	<u>Acres Diverted (millions)</u>	<u>Payments (\$1,000)</u>
1956	1.4	\$18,547
1957	6.4	94,925
1958	9.9	141,889
1959	22.5	306,136
1960	28.7	350,539
1961	28.5	332,684
1962	25.8	305,959
1963	24.3	289,948
1964	17.4	193,712
1965	14.0	150,981
1966	13.3	140,735
1967	11.0	121,802
1968	9.2	106,733
1969	3.4	38,620
1970	.1	891
1971	<u>1/</u>	80
1972	<u>1/</u>	-53
1973	-0-	-18
1974	-0-	32
1975	-0-	-146
Total		<u>\$2,593,996</u>

1/ Less than 50 thousand.

Our Expenses

CORP.

for losses

(j) Cropland Conversion Program

No new agreements have been made since 1967. Future payments under prior year agreements, for which funds are available, will continue to be made until they expire in fiscal year 1976.

The following table summarizes the appropriation, balance carried forward and payments, 1975 through 1976.

Item	1975 Actual	1976 Estimated	Increase or Decrease	1977 Estimated
Obligated balance start of year	515,413	397,751	-\$397,751	- -
Annual rental payments	-117,662	-118,000	+118,000	- -
Unobligated balance, lapsing	- -	-279,751	+279,751	- -
Obligated balance end of year	397,751	- -	- -	- -

EXPLANATION OF PROGRAM

This program was authorized in the Food and Agriculture Act of 1962, as an amendment Section 16(e), of the Soil Conservation and Domestic Allotment Act. Long-range agreements not to exceed 10 years were approved with farmers and ranchers from 1963 to 1967 to make changes from their past cropping systems and land uses to other income-producing, public benefit uses. The agreements provided for payments, the furnishing of material and services, and other assistance to farmers. In return, farmers changed the land-use and installed and maintained conservation practices. Adjustment payments were authorized to be made either upon approval of the agreement or on an annual installment basis. Land treatment practice payments were made after the practice was installed.

Dr. Expenses

Corp.

for losses

STATUS OF PROGRAM

The program was offered to farmers during the years 1963 through 1967 under the authority of Section 101 of the Food and Agriculture Act of 1962. The legislation authorized the Secretary to enter into agreements with farmers and ranchers, not to exceed 10 years. The land under agreements was converted to income-producing grassland, woodland, water storage, wildlife habitat, and outdoor recreational enterprises. This approach was designed to provide the best opportunity for bringing about a permanent shift of cropland to other and more needed uses.

Under the program about 10,000 agreements were entered into on 0.6 million acres in 473 counties in 42 States, and about 13 thousand acres remain under agreements in 1976.

The following table reflects acreage diverted and payments made since the inception of the program.

Acreage Diverted and Payments History

<u>Fiscal Year</u>	<u>Acres</u> (000)	<u>Payments</u> (000)
1963	130	\$3,982
1964	125	7,097
1965	445	9,667
1966	449	1,921
1967	584	1,655
1968	481	3,127
1969	481	2,952
1970	46	2,276
1971	40	164
1972	13	108
1973	13	107
1974	13	95
1975	13	118
1976 (Est.)	<u>13</u>	<u>118</u>
Total	<u>XXX</u>	<u>\$33,387</u>

Opr. Expenses

CORP.

for losses

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this Act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Major Activities

The Federal Crop Insurance program comprises the following activities:

(1) Underwriting, Actuarial, and program development, involving the establishment and maintenance of rates and coverages for crops in each county; (2) Marketing and Collections, covering all aspects of sales, including the development of sales policies and the marketing program, and the collection of premiums; and (3) Contract Servicing and Claims, which has to do with crop inspections and loss adjustments.

Insurance Coverage

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not insure profit for the farmer nor cover avoidable losses resulting from negligence or failure to observe good farming practices.

The 1976 crop insurance programs will operate in 1,470 counties, furnishing insurance coverage of approximately \$1,550,000,000 on apples, barley, beans, citrus, combined crop, corn, cotton, flax, grain sorghum, grapes, oats, peaches, peanuts, peas, raisins, rice, soybeans, sugar beets, sugarcane, tobacco, tomatoes and wheat. It is estimated that 316,000 crops will be insured for the 1976 crop year.

General Administration

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by fourteen regional offices. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation and by Corporation employees hired on a permanent, part-time or WAE (when actually employed) basis. Detailed insurance and accounting records are maintained by the National Service Office in Kansas City, Missouri. As of November 22, 1975, there were 556 permanent full-time employees, 10 full-time temporary, 94 part-time, and 851 paid intermittent employees.

The current capital stock issue of \$60 million is composed of subscriptions issued pursuant to the Federal Crop Insurance Act, which authorizes \$100 million of capital stock to be subscribed by the United States Government.

<u>Analysis of capital:</u>	F.Y. 1975	F.Y. 1976	Transition	F.Y. 1977
Capital stock:	<u>Actual</u>	<u>Estimate</u>	<u>Qtr. Est.</u>	<u>Estimate</u>
Authorized.....	\$ 100,000,000	\$100,000,000	\$100,000,000	\$100,000,000
Unissued.....	40,000,000	40,000,000	40,000,000	40,000,000
Issued.....	60,000,000	60,000,000	60,000,000	60,000,000
Surplus (+) or deficit (-).	-15,222,481	-11,446,481	-13,170,481	-17,571,481
Net capital at end of year.	\$ 44,777,519	\$-48,553,519	\$ 46,829,519	\$ 42,428,519

A summary of changes in capital for fiscal year 1975 and estimates for the fiscal years 1976 and 1977 follow:

	1975 <u>Actual</u>	1976 <u>Estimate</u>	T. Q. <u>Estimate</u>	1977 <u>Estimate</u>
Net capital at beginning of year.....	\$63,311,335	\$44,777,519	\$48,553,519	\$46,829,519
Additions to capital during the year:				
Insurance premiums (net) ..	54,009,207	73,600,000	---	73,600,000
Interest and other income.....	3,302	---	---	---
Prior year adjustments....	-73,361	---	---	---
Reimbursements - ASCS inspection work.....	<u>1,258,110</u>	<u>750,000</u>	<u>---</u>	<u>750,000</u>
Total capital available for insurance operations during year.....	\$118,508,593	\$119,127,519	\$48,553,519	\$121,179,519
Deductions from capital during the year:				
Insurance indemnities....	63,251,748	58,900,000	---	66,200,000
Loss adjustment and inspection costs.....	3,190,581	3,364,000	---	3,394,000
ASCS inspection work....	1,247,026	750,000	---	750,000
Prior year adjustments...	-220,269	---	---	---
Administrative expenses charged to program operations.....	5,985,261	7,159,000	1,724,000	8,006,000
Estimated uncollectible premiums.....	<u>276,727</u>	<u>401,000</u>	<u>---</u>	<u>401,000</u>
Total deductions from capital.....	\$73,731,074	\$70,574,000	\$1,724,000	\$78,751,000
Net capital at end of year.	<u>\$44,777,519</u>	<u>\$48,553,519</u>	<u>\$46,829,519</u>	<u>\$42,428,519</u>

Available Funds and Man-Years

1975 and Estimated, 1976 and 1977

	Actual 1975		Estimated Available, 1976		Budget Estimate 1977	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Administrative and Operating Expenses:						
Appropriation.....	\$12,000,000	627	^{b/} \$12,000,000	570	\$12,000,000	566
Federal Crop Insurance Corporation Fund.....	5,985,260	240	^{c/} 7,159,000	293	8,006,000	^{d/} 310
Sub-total.....	17,985,260	867	^{d/} 19,159,000	863	20,006,000	876
Loss Adjustment Costs (non-administrative and operating expenses) paid from Federal Crop Insurance Corporation Fund.....	3,190,581	210	3,364,000	206	3,394,000	206
Total, above items.....	21,175,841	1,077	22,523,000	1,069	23,400,000	1,082
Obligations under other USDA Appropriations:						
ASCS Inspection work....	^{e/} 1,247,026	74	750,000	45	750,000	45
Miscellaneous reimbursements.....	2,272	---	---	---	---	---
Total, other USDA Appropriations.....	1,249,298	74	750,000	45	750,000	45
Total, Federal Crop Insurance Corporation ^{a/}	22,425,139	1,151	23,273,000	1,114	24,150,000	1,127

	1975 Actual	1976 Estimated	1977 Estimated
End-of-year Employment:			
Permanent full-time.....	564	543	543
Other.....	809	850	850
Total.....	1,373	1,393	1,393

^{a/} Excludes corporate funds, other than those shown above for administrative and operating expenses, loss adjustment costs, and reimbursement for ASCS inspection work.

^{b/} A supplemental appropriation for \$60,000 is requested for increased pay costs since such costs, combined with the amount already appropriated for F.Y. 1976 administrative and operating expenses, would bring the amount appropriated up to the \$12 million which is the limitation on funds that can be appropriated annually to the Corporation.

^{c/} Includes pay increase cost of \$395,000 for 1976 which will require an increase in the amount of authorization from premium income.

^{d/} Excludes proposed supplemental of \$275,000 for increased travel costs.

^{e/} Reimbursable program under 1973 Farm Act for assistance in training ASCS loss adjusters and for performance of some ASCS inspection work.

Opr. Expenses

CORP.

for losses

Administrative and Operating Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable from Premium Income</u>	<u>Total</u>
Appropriation Act, 1976.....	\$11,940,000	\$ 6,764,000	\$18,704,000
Budget Estimate, 1977.....	<u>12,000,000</u>	<u>8,006,000</u>	<u>20,006,000</u>
Increase in Appropriation.....	+60,000	+1,242,000	+1,302,000
Adjustments in 1976:			
Appropriation Act, 1976.....	\$11,940,000	\$ 6,764,000	\$18,704,000
1976 Supplemental Appropriation for pay costs.....	+60,000	+395,000	+455,000
Adjusted base for 1977.....	<u>12,000,000</u>	<u>7,159,000</u>	<u>19,159,000</u>
Budget estimate, 1977.....	<u>12,000,000</u>	<u>8,006,000</u>	<u>20,006,000</u>
Increase over adjusted 1976...	---	+847,000	+847,000

NOTE: The Corporation's 1977 budget estimate includes \$8,006,000 for administrative and operating expenses payable from premium income and \$12,000,000 by annual appropriation. For clarity and completeness, the following project statement and justification cover the total estimated amounts required for administrative and operating expenses of the Corporation.

Summary of Increases and Decreases

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimated</u>
Annualization of the pay cost increase effective in F.Y. 1976.....	\$ 455,000	\$ +198,000	\$ 653,000
ADP redesign and reprogramming costs.....	---	+350,000	350,000
Increase in GSA space rental costs.....	538,000	+24,000	562,000
Increased travel costs	---	+275,000	275,000
All Other	<u>18,166,000</u>	<u>---</u>	<u>18,166,000</u>
Total available	<u>19,159,000</u> <u>a/</u>	<u>+847,000</u>	<u>20,006,000</u>

a/ Excludes proposed supplemental of \$275,000 for increased travel costs.

PROJECT STATEMENT
(On basis of available funds)

Project	1975	1976 (estimated)	Increase or Decrease	1977 (estimated)
1. Underwriting, actuarial, and program development.....	\$2,375,453	\$2,607,000	+162,000(1)	\$2,769,000
2. Marketing and collections....	9,046,864	9,161,000	+357,000(2)	9,518,000
3. Contract servicing and claims.....	6,562,943	7,391,000	+328,000(3)	7,719,000
Subtotal.....	17,985,260	19,159,000 ^{a/}	+847,000	20,006,000
Deduct: Total obligations payable from premium income.....	5,985,260	6,764,000	+1,242,000	8,006,000
Proposed supplemental for pay increase costs.....	---	395,000	-395,000	---
Proposed supplemental for in- creased travel costs.....	---	275,000	-275,000	---
Total obligations payable from premium income.....	5,985,260 ^{b/}	7,159,000	+847,000	8,006,000
Total available or estimate.....	12,000,000	12,000,000	---	12,000,000
Proposed supplemental for pay increase costs.....	---	-60,000		
Total, appropriation.....	12,000,000	11,940,000		

a/ Excludes proposed supplemental of \$275,000 for increased travel costs.

b/ Excludes \$131,740 unobligated balance under the limitation on administrative and operating expenses payable from premium income.

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses" of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act of 1938, as amended (7 U.S.C. 1501-1520). The activities carried out are as follows:

Underwriting, actuarial, and program development - This activity covers the underwriting function which makes determinations with respect to establishment of insurance coverage and premium rates for different farming practices (summer fallow, continuous cropping, irrigation, etc.) in each county. In each county also insurance coverages and premium rates are broken down by areas to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county. (Crop Year 1977- 1,470 counties).

Field underwriters review and recommend revision of local area rates and coverages each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provision and proposals.

Marketing and collections - This activity covers selling of crop insurance policies by employees working on a WAE (when actually employed) basis and local agents working under contractual agreements. These employees are supervised by a permanent staff of district and area sales supervisors reporting to a Regional Director. Other functions performed under this activity are: collection work, formulating and developing sales policies and programs; directing the use of sales promotional materials; and working with private insurance groups, farm organizations, etc

Contract Servicing and claims - This activity covers functions directly related to crop inspections and loss adjustments. Some of the functions performed are: formulating and recommending policies to management on crop losses, handling unusual and complex claims involving legal interpretation and corporate litigation, analyzing and reporting crop damage or loss, supervising loss adjusters, reviewing the effectiveness of the loss adjustment program, and developing loss adjustment instructions and procedures for determining crop-damage liability. Also, under this activity, the annual servicing of contracts is performed. This consists of: obtaining acreage reports, answering inquiries from insured farmers, processing transfers of interest, handling collateral assignments, and keeping the farmers generally informed regarding the crop insurance program.

The following table summarizes the planned level of crop insurance operations for crop year 1977, compared with 1975 and 1976:

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Insurance in force (\$1,000).....	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000
Premiums(\$1,000).....	73,600	73,600	73,600
Indemnities (\$1,000).....	58,900	66,200	66,200
Loss Ratio.....	.80	.90	.90
Counties.....	1,470	1,470	1,470
Crops Insured.....	315,966	316,000	316,000
Insured Acreage (1,000).....	20,957	21,000	21,000

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$162,000 in the Federal Crop Insurance Corporation Fund for underwriting, actuarial, and program development. The increase breaks down as follows:

- (a) An increase of \$30,000 for annualization of pay increases effective in F.Y. 1976.
- (b) An increase of \$3,000 for space rental costs pursuant to P.L. 92-313.
- (c) An increase of \$39,000 for increased travel costs attributable to P.L. 94-22, approved May 19, 1975.
- (d) An increase of \$90,000 for ADP redesign and reprogramming costs.

Need for Increase. The Federal Crop Insurance operations have been automated since 1965. The present computer processing is on a tape-oriented IBM 7074, which is being scheduled for replacement since this equipment is becoming obsolete.

Plan of work. The increased would provide necessary funds to redesign and reprogram all of the Corporation's computer operations to third generation equipment (IBM 360/50). This equipment is now in place at Kansas City, Missouri, and is available to the Corporation.

The following table reflects the cost and man-year distribution of this activity for 1976 and 1977:

Function	1976		1977		Change 1977 over 1976	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Actuarial analysis and program development...	49.8	\$1,408,000	49.8	\$1,434,000	---	\$ +26,000
2. Regional underwriting...	44.2	930,000	44.2	978,000	---	+48,000
3. Other related servicing cost:						
National Service Office	12.5	269,000	15.8	357,000	+3.3	+88,000
Total.....	106.5	2,607,000	109.8	2,769,000	+3.3	+162,000

- (2) An increase of \$357,000 in the Federal Crop Insurance Corporation Fund for marketing and collections as follows:

- (a) An increase of \$85,000 for annualization of pay increases effective in F.Y. 1976.
- (b) An increase of \$ 8,000 for space rental costs pursuant to P.L. 92-313.
- (c) An increase of \$159,000 for increased travel costs attributable to P.L. 94-22, approved May 19, 1975.
- (d) An increase of \$105,000 for ADP redesign and reprogramming costs.

Need for Increase. The Federal Crop Insurance operations have been automated since 1965. The present computer processing is on a tape-oriented IBM 7074, which is being scheduled for replacement since this equipment is becoming obsolete.

Plan of Work. The increase would provide necessary funds to redesign and reprogram all of the Corporation's computer operations to third generation equipment (IBM 360/50). This equipment is now in place at Kansas City, Missouri, and is available to the Corporation.

The following table reflects the cost and man-year distribution of this activity for 1976 and 1977:

Function	1976		1977		Change 1977 over 1976	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Field sales and collection operations...	309.7	\$6,964,000	309.6	\$7,155,000	-.1	\$ +191,000
2. Advertising and sales promotion.....	---	260,000	---	260,000	---	---
3. Other marketing and servicing costs; Direction of marketing and collection activities and National Service Office.....	65.7	1,937,000	70.6	2,103,000	+4.9	+166,000
Total.....	375.4	9,161,000	380.2	9,518,000	+4.8	+357,000

(3) An increase of \$328,000 in the Federal Crop Insurance Corporation Fund for contract servicing and claims as follows:

(a) An increase of \$83,000 for annualization of pay increases effective in F.Y. 1976.

(b) An increase of \$13,000 for space rental costs pursuant to P.L. 92-313.

(c) An increase of \$77,000 for increased travel costs attributable to P.L. 94-22, approved May 19, 1975.

(d) An increase of \$155,000 for ADP redesign and reprogramming costs.

Need for Increase. The Federal Crop Insurance operations have been automated since 1965. The present computer processing is on a tape-oriented IBM 7074, which is being scheduled for replacement since this equipment is becoming obsolete.

Plan of Work. The increase would provide necessary funds to redesign and reprogram all of the Corporation's computer operations to third generation equipment (IBM 360/50). This equipment is now in place at Kansas City, Missouri, and is available to the Corporation.

The following table reflects the cost and man-year distribution of this activity for 1976 and 1977:

Function	1976		1977		Change 1977 over 1976	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Contract servicing field operations....	292.3	\$4,778,000	292.5	\$4,899,000	+ .2	\$+121,000
2. Other related servicing costs; Direction of contract servicing activities and National Service Office.....	88.4	2,613,000	94.1	2,820,000	+5.7	+207,000
Total.....	380.7	7,391,000	386.6	7,719,000	+5.9	+328,000

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides all-risk crop insurance protection against unavoidable causes of loss. The Corporation's objective is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

Summary of Experience 1948-1974:

During the twenty-seven-year period, premiums of \$798.7 million exceeded indemnities of \$736.9 million by \$61.8 million.

Cumulative experience shows premium income on wheat the highest of all the commodities insured during the period. Of the \$798.7 million total premium, \$302.5 million or 37.9 percent were earned from the wheat program. Likewise, indemnities on wheat amounted to \$255.2 million or 34.6 percent of the \$736.9 million total indemnities for the period 1948 through 1974. The loss ratio for wheat for the period was .84 as compared with .92 for all commodities (includes Puerto Rico reinsurance).

The number of counties in which crop insurance is offered has increased from 324 in 1948 to 1,444 in 1974, and crops insured increased from 169,129 to 303,746 during the period.

The following tables summarize the experience for the period 1948 through 1974 by crops and years:

SUMMARY OF EXPERIENCE - BY CROPS CROP YEARS 1948 - 1974 (Dollars in thousands)

Crop	Net Premiums	Indemnities	Premiums Compared with Indemnities a/	Loss Ratio
Apples	\$ 3,755	\$ 5,525	\$ -1,770	1.47
Barley	14,927	10,282	4,645	.69
Bean	6,503	6,586	-83	1.01
Cherry	150	391	-241	2.61
Citrus	28,928	44,002	-15,074	1.52
Combined Crop	34,139	38,463	-4,324	1.13
Corn	126,362	122,449	3,913	.97
Cotton	72,838	106,910	-34,072	1.47
Flax	15,509	12,748	2,761	.82
Grain Sorghum	12,285	9,445	2,840	.77
Grape	1,119	1,559	-440	1.39
Oat	7,296	4,193	3,103	.57
Pea	4,763	6,553	-1,790	1.38
Peach	5,357	7,468	-2,111	1.39
Peanut	13,353	7,780	5,573	.58
Potato	1,269	2,669	-1,400	2.10
Raisin	4,086	1,525	2,561	.37
Rice	776	372	404	.48
Safflower	4	10	-6	3.93
Soybean	51,472	40,800	10,672	.79
Sugar Beet	4,903	4,335	568	.88
Sugarcane	1,326	983	343	.74
Tobacco	84,190	46,220	37,970	.55
Tomato	392	341	51	.87
Tung Nut	89	67	22	.75
Wheat	302,545	255,200	47,345	.84
Puerto Rico Reins.	342	24	318	.07
Total	798,678	736,900	61,778	.92

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF EXPERIENCE - BY CROP YEAR
1948 - 1974
(Dollars in Thousands)

<u>Crop Year</u>	<u>Net Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>	<u>Loss Ratio</u>
1948	\$ 12,684	\$ 6,780	\$ 5,904	.53
1949	11,862	15,531	-3,669	1.31
1950	14,104	12,799	1,305	.91
1951	19,111	21,338	-2,227	1.12
1952	21,200	20,609	591	.97
1953	27,098	31,057	-3,959	1.15
1954	22,655	28,030	-5,375	1.24
1955	22,330	25,505	-3,175	1.14
1956	22,139	27,890	-5,751	1.26
1957	17,407	12,004	5,403	.69
1958	17,617	4,505	13,112	.26
1959	18,461	14,138	4,323	.77
1960	17,797	10,316	7,481	.58
1961	18,149	16,092	2,057	.89
1962	21,854	24,022	-2,168	1.10
1963	30,374	23,524	6,850	.77
1964	33,852	30,362	3,490	.90
1965	36,015	40,753	-4,738	1.13
1966	36,828	25,198	11,630	.68
1967	43,485	55,112	-11,627	1.27
1968	48,966	51,280	-2,314	1.05
1969	48,816	52,780	-3,964	1.08
1970	44,387	41,850	2,537	.94
1971	47,878	28,553	19,325	.60
1972	42,063	25,266	16,797	.60
1973	47,537	28,355	19,182	.60
1974	<u>54,009</u>	<u>63,251</u>	<u>-9,242</u>	<u>1.17</u>
Total	<u>798,678</u>	<u>736,900</u>	<u>61,778</u>	<u>.92</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF FCIC EXPERIENCE 1939-74

<u>Year</u>	<u>Liability</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Loss Ratio</u>
	(Thousands of Dollars)			(As % of Protection)		
1939	\$ 34,475	\$ 3,411	\$ 5,603	9.9	16.3	1.64
1940	67,029	9,155	13,869	13.7	20.7	1.51
1941	101,700	11,279	18,924	11.1	18.6	1.68
1942	197,613	16,694	24,937	8.4	12.6	1.49
1943	244,394	18,236	33,231	7.5	13.6	1.82
1944	(No Insurance Offered)					
1945	148,161	9,360	23,246	6.3	15.7	2.48
1946	350,623	35,329	63,489	10.1	18.1	1.80
1947	420,921	43,777	35,244	10.4	8.4	.81
1947 & Prior	1,564,916	147,241	218,543	9.4	14.0	1.48
1948	153,997	12,684	6,780	8.2	4.4	.53
1949	163,495	11,862	15,531	7.3	9.5	1.31
1950	240,448	14,104	12,799	5.9	5.3	.91
1951	317,463	19,111	21,338	6.0	6.7	1.12
1952	350,216	21,200	20,609	6.1	5.9	.97
1953	437,514	27,098	31,057	6.2	7.1	1.15
1954	354,279	22,655	28,030	6.4	7.9	1.24
1955	309,924	22,330	25,505	7.2	8.2	1.14
1956	306,743	22,139	27,890	7.2	9.1	1.26
1957	242,200	17,407	12,004	7.2	5.0	.69
1958	242,712	17,617	4,505	7.3	1.9	.26
1959	270,828	18,461	14,138	6.8	5.2	.77
1960	265,885	17,797	10,316	6.7	3.9	.58
1961	271,709	18,149	16,092	6.7	5.9	.89
1962	356,354	21,854	24,022	6.1	6.7	1.10
1963	496,669	30,374	23,524	6.1	4.7	.77
1964	542,117	33,852	30,362	6.2	5.6	.90
1965	590,393	36,015	40,753	6.1	6.9	1.13
1966	635,523	36,828	25,198	5.8	4.0	.68
1967	773,010	43,485	55,112	5.6	7.1	1.27
1968	875,054	48,966	51,280	5.6	5.9	1.05
1969	918,520	48,816	52,780	5.3	5.7	1.08
1970	852,086	44,387	41,850	5.2	4.9	.94
1971	946,005	47,878	28,553	5.1	3.0	.60
1972	854,971	42,063	25,266	4.9	3.0	.60
1973	1,007,519	47,537	28,355	4.7	2.8	.60
1974	1,149,844	54,009	63,251	4.7	5.5	1.17
1948-74	\$13,925,478	\$798,678	\$736,900	5.7	5.3	.92

SUMMARY OF 1974 CROP YEAR EXPERIENCE BY STATE
(Dollars in Thousands)

<u>State</u>	<u>No. of Insured Crops</u>	<u>Coverage</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>
Alabama	2,333	\$ 15,469	\$ 938	\$ 329	\$ 609
Arizona	225	3,558	160	102	58
Arkansas	636	4,662	166	146	20
California	1,677	20,397	1,429	847	582
Colorado	2,632	9,493	1,016	82	934
Delaware	430	2,696	162	195	-33
Florida	1,695	17,575	1,529	77	1,452
Georgia	2,559	31,337	1,451	322	1,129
Idaho	2,455	7,640	331	271	60
Illinois	12,187	31,565	1,262	2,309	-1,047
Indiana	10,320	20,374	859	1,147	-288
Iowa	34,866	123,620	4,945	11,055	-6,110
Kansas	20,776	52,330	3,704	2,145	1,559
Kentucky	13,899	23,313	729	456	273
Louisiana	598	7,441	260	157	103
Maryland	422	1,889	97	8	89
Michigan	3,067	5,581	335	194	141
Minnesota	38,867	90,621	4,905	7,120	-2,215
Mississippi	621	11,669	355	1,660	-1,305
Missouri	5,815	9,271	719	1,593	-874
Montana	7,091	47,461	2,482	3,709	-1,227
Nebraska	13,343	43,219	2,681	5,605	-2,924
New Mexico	531	2,801	203	433	-230
New York	229	3,022	190	9	181
North Carolina	27,475	205,049	4,745	1,230	3,515
North Dakota	26,361	104,233	5,828	7,722	-1,894
Ohio	10,717	17,121	738	706	32
Oklahoma	3,253	13,362	946	564	382
Oregon	2,629	19,348	697	285	412
Pennsylvania	1,625	2,407	144	35	109
South Carolina	3,989	40,565	1,384	817	567
South Dakota	12,131	20,316	1,905	3,017	-1,112
Tennessee	9,860	7,586	334	390	-56
Texas	7,344	38,465	2,762	5,104	-2,342
Utah	286	634	36	48	-12
Virginia	7,576	42,587	1,133	227	906
Washington	2,840	36,053	1,448	1,571	-123
Wisconsin	9,756	12,718	872	1,550	-678
Wyoming	630	2,397	129	14	115
Total	303,746	1,149,844	54,009	63,251	-9,242

a/ Excess of indemnities over premiums indicated by (-) minus sign.

Operating Experience - Crop Year 1974

The 1974 crop year insurance operations show indemnities exceeding premiums by approximately \$9,243,000 with a loss ratio of 1.17. The amount of insurance in force for the 1974 crop year was \$1,149,844,000 for 303,746 crops insured.

Premium Income:

Premium income of \$54,009,000 for the 1974 crop year is an increase of \$6,472,000 over the previous crop year.

Indemnities:

Indemnities for the 1974 crop year totaled \$63,251,000 resulting in a loss ratio of 1.17. Corn, wheat, cotton, and soybeans, with indemnities of \$23,981,494, \$15,838,546, \$6,846,536 and \$5,199,659 and loss ratios of 2.30, .97, 2.24, and 1.01, respectively, accounted for 82 percent of the total amount of indemnities.

Loss experience:

The Corporation experienced a crop year deficit for the first time since the 1970 crop year.

The most favorable 1974 loss experience occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess Premiums Over Indemnities</u>	<u>Loss Ratio</u>
North Carolina	Tobacco	\$ 3,208,219	.21
Kansas	Wheat	1,828,259	.25
Florida	Citrus	1,366,980	.05

Tomatoes, with a loss ratio of 2.38, had the least favorable loss experience nationwide.

Program Plans:

The objectives of the Corporation during 1976 and 1977 are:

1. To continue providing crop insurance protection to as many farmers as possible within the available resources, while maintaining the economic soundness of the program; and

To continue making improvements in the contract provisions, insurance protection, and premium rates to make the program more responsive to the needs of the farmers. Programs currently in effect are being reviewed to ascertain that rates and coverages are maintained at a level proportionate to the risk.

Program Statistics:

The following tables show: (1) the number of counties insured, crop years 1948 through 1974 and 1975 through 1977 (estimated); (2) data by commodity, crop years 1948 through 1974 (actual).

NUMBER OF COUNTIES

<u>Crop Year</u>	<u>Number of Counties</u>
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,363
1968	1,395
1969	1,425
1970	1,423
1971	1,423
1972	1,422
1973	1,432
1974	1,444
1975	1,470
1976 (estimated)	1,470
1977 (estimated)	1,495

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Apple						
1963.....	3	188	\$ 2,378	\$ 163	\$ 57	.35
1964.....	3	126	1,034	71	65	.92
1965.....	4	278	1,556	157	59	.37
1966.....	6	248	1,185	123	234	1.91
1967.....	8	549	4,508	365	332	.91
1968.....	8	503	3,393	281	937	3.33
1969.....	8	580	4,091	374	89	.24
1970.....	8	487	3,750	328	543	1.65
1971.....	8	508	4,005	369	392	1.06
1972.....	8	488	4,089	377	1,223	3.25
1973.....	8	547	5,841	637	835	1.31
1974.....	8	462	4,560	510	759	1.49
Total.....	--	---	---	3,755	5,525	1.47
Barley						
1956.....	9	1,695	1,294	102	39	.39
1957.....	14	2,430	2,518	190	66	.35
1958.....	29	4,216	3,861	311	121	.39
1959.....	84	9,334	6,264	527	567	1.08
1960.....	99	13,841	5,823	513	356	.69
1961.....	109	14,296	6,263	612	934	1.53
1962.....	138	19,253	8,409	877	707	.81
1963.....	164	22,069	12,141	1,150	1,207	1.05
1964.....	179	22,166	10,754	1,017	542	.53
1965.....	175	21,143	9,150	836	204	.24
1966.....	177	19,337	10,678	949	397	.42
1967.....	187	17,815	10,925	914	570	.62
1968.....	190	17,247	12,293	1,023	442	.43
1969.....	194	16,097	12,959	966	299	.31
1970.....	194	13,449	12,676	922	608	.66
1971.....	191	12,977	14,559	1,017	308	.30
1972.....	191	12,024	12,702	925	563	.61
1973.....	191	11,927	16,433	1,232	1,062	.86
1974.....	191	11,893	11,480	844	1,290	1.53
Total.....	---	---	---	14,927	10,282	.69
Dry Bean						
1948.....	4	1,444	754	32	9	.29
1949.....	9	2,909	1,737	95	61	.64
1950.....	18	5,138	2,293	102	187	1.84
1951.....	29	9,457	3,913	191	599	3.14
1952.....	30	9,014	3,173	198	109	.55
1953.....	30	8,390	4,087	231	142	.62
1954.....	24	6,352	3,128	182	290	1.60
1955.....	17	4,229	2,035	135	89	.66
1956.....	16	3,776	1,868	124	118	.96
1957.....	16	3,539	1,697	107	111	1.03
1958.....	18	3,750	2,251	130	42	.32
1959.....	20	3,749	2,589	113	103	.91

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Dry Bean (Cont'd)						
1960.....	22	5,280	\$ 2,418	\$ 136	\$ 80	.59
1961.....	23	4,705	2,390	163	89	.54
1962.....	25	4,928	2,732	185	374	2.03
1963.....	26	5,216	3,962	251	154	.61
1964.....	30	4,572	4,100	253	400	1.58
1965.....	31	4,653	6,228	365	838	2.29
1966.....	31	5,015	7,143	450	463	1.03
1967.....	35	4,043	5,009	304	193	.64
1968.....	35	3,566	6,085	377	510	1.35
1969.....	36	3,340	6,329	397	325	.82
1970.....	36	3,242	5,647	374	440	1.18
1971.....	36	3,287	5,955	383	256	.67
1972.....	36	3,044	6,425	415	214	.52
1973.....	36	2,802	5,774	368	334	.91
1974.....	36	2,747	6,879	442	56	.13
Total....	--	---	---	6,503	6,586	1.01
Cherry						
1963.....	1	92	325	34	162	4.84
1964.....	1	131	425	45	9	.21
1965.....	1	122	314	33	55	1.66
1966.....	1	106	307	38	165	4.33
Total....	--	---	---	150	391	2.61
Citrus						
1951.....	1	290	1,137	82	0	--
1952.....	1	202	804	56	2	.04
1953.....	1	218	901	63	0	--
1954.....	2	394	1,514	105	0	--
1955.....	2	324	1,346	94	3	.03
1956.....	2	345	1,529	107	23	.22
1957.....	2	286	1,458	95	689	7.25
1958.....	4	602	3,416	265	39	.15
1959.....	5	639	4,011	313	76	.24
1960.....	6	565	3,724	288	607	2.11
1961.....	10	593	4,118	294	695	2.36
1962.....	14	1,248	9,380	688	6,361	9.25
1963.....	12	1,618	15,057	1,144	37	.03
1964.....	12	1,699	15,696	1,187	529	.45
1965.....	14	1,886	19,112	1,406	1,568	1.11
1966.....	19	2,206	22,186	1,648	477	.29
1967.....	22	2,442	21,956	1,618	4,443	2.75
1968.....	23	3,367	32,434	2,585	5,708	2.21
1969.....	27	4,091	38,142	3,299	5,776	1.75
1970.....	27	3,770	32,998	3,215	9,986	3.11
1971.....	27	3,053	24,999	2,569	1,622	.63
1972.....	27	2,976	25,117	2,623	3,229	1.23

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Citrus						
(Cont'd)						
1973.....	27	2,819	\$ 24,656	\$ 2,575	\$ 1,120	.44
1974.....	27	2,596	25,831	2,609	1,012	.39
Total....	--	---	---	28,928	44,002	1.52
Combined Crop						
1948.....	2	714	587	24	1	.06
1949.....	7	2,722	4,100	137	22	.16
1950.....	55	27,725	36,305	1,252	1,174	.94
1951.....	95	36,220	52,670	1,958	3,237	1.65
1952.....	115	42,709	68,849	3,020	7,047	2.33
1953.....	113	50,217	83,487	3,862	3,502	.91
1954.....	96	41,042	68,573	3,210	4,824	1.50
1955.....	83	32,652	51,323	2,826	4,024	1.42
1956.....	101	35,260	51,718	3,234	4,151	1.28
1957.....	124	41,192	49,835	3,344	2,787	.83
1958.....	100	55,010	31,646	2,054	748	.36
1959.....	61	26,424	22,319	1,288	2,189	1.70
1960.....	49	10,050	16,607	867	234	.27
1961.....	38	8,478	14,478	849	1,048	1.23
1962.....	26	6,406	10,639	572	435	.76
1963.....	26	5,558	11,187	604	271	.45
1964.....	18	4,785	10,574	556	249	.45
1965.....	15	4,173	9,928	510	35	.07
1966.....	11	3,689	9,793	469	192	.41
1967.....	9	3,052	10,559	474	1,008	2.12
1968.....	8	2,867	10,894	473	49	.10
1969.....	7	2,524	10,259	393	24	.06
1970.....	7	2,481	10,107	381	79	.21
1971.....	7	2,469	13,126	484	66	.14
1972.....	7	2,244	10,173	376	109	.29
1973.....	7	2,133	13,253	444	453	1.02
1974.....	7	2,027	13,108	478	505	1.06
Total....	--	---	---	34,139	38,463	1.13
Corn						
1948.....	36	14,115	11,166	435	75	.17
1949.....	44	19,607	16,683	587	95	.16
1950.....	73	32,292	20,126	724	911	1.26
1951.....	98	37,568	27,929	1,080	2,567	2.38
1952.....	99	36,598	31,284	1,350	339	.25
1953.....	108	40,429	37,302	1,663	278	.17
1954.....	99	32,673	29,433	1,378	766	.56
1955.....	102	30,820	27,164	1,366	2,011	1.47
1956.....	113	41,710	41,037	2,708	9,082	3.35
1957.....	115	39,195	28,319	2,229	1,026	.46
1958.....	207	40,012	32,069	2,068	1,165	.56
1959.....	259	52,267	53,406	3,415	2,967	.87
1960.....	265	52,079	56,212	3,575	5,195	1.45

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Corn						
(Cont'd)						
1961.....	272	50,872	\$ 44,838	\$ 2,756	\$ 644	.23
1962.....	337	59,869	55,934	3,629	5,502	1.52
1963.....	380	67,838	75,833	5,131	2,083	.41
1964.....	446	80,804	102,130	6,300	10,500	1.67
1965.....	458	84,297	108,716	6,978	14,235	2.04
1966.....	508	85,666	115,492	7,263	3,289	.45
1967.....	528	83,018	136,516	8,249	7,790	.94
1968.....	551	83,775	142,181	8,310	5,477	.66
1969.....	577	79,481	150,926	8,086	4,633	.57
1970.....	575	71,649	150,384	7,833	9,196	1.17
1971.....	582	77,078	232,883	11,582	4,262	.37
1972.....	582	68,468	174,185	8,288	2,104	.25
1973.....	599	62,718	185,779	8,942	2,276	.25
1974.....	612	59,892	216,586	10,437	23,981	2.30
Total....	---	---	---	126,362	122,449	.97
Cotton						
1948.....	53	19,479	22,123	1,411	605	.43
1949.....	52	26,667	26,717	1,580	3,112	1.97
1950.....	80	63,969	33,302	1,831	5,148	2.81
1951.....	101	57,715	44,647	2,674	2,202	.82
1952.....	98	38,086	38,007	2,079	922	.44
1953.....	109	38,434	47,190	2,353	2,460	1.05
1954.....	101	24,196	28,395	1,494	839	.56
1955.....	101	19,319	23,718	1,249	1,055	.84
1956.....	116	29,975	29,872	1,692	1,137	.67
1957.....	119	25,451	18,035	1,105	593	.54
1958.....	118	20,410	12,592	753	187	.25
1959.....	133	19,910	17,686	1,288	574	.45
1960.....	142	15,628	16,513	1,191	615	.52
1961.....	141	15,375	17,890	1,282	1,769	1.38
1962.....	161	21,312	36,183	2,229	2,760	1.24
1963.....	199	26,526	56,352	3,506	2,450	.70
1964.....	221	24,865	57,376	3,606	1,656	.46
1965.....	229	21,152	45,413	2,848	2,396	.84
1966.....	263	23,458	42,582	2,490	5,707	2.29
1967.....	276	25,774	69,182	3,501	13,482	3.85
1968.....	284	32,646	132,075	6,754	12,938	1.92
1969.....	299	31,786	139,424	7,622	19,887	2.61
1970.....	299	24,821	73,550	4,793	6,360	1.33
1971.....	299	19,592	56,506	3,783	6,307	1.67
1972.....	299	14,958	56,921	3,606	3,480	.97
1973.....	298	11,189	50,299	3,059	1,423	.47
1974.....	262	8,690	53,022	3,059	6,846	2.24
Total....	---	---	---	72,838	106,910	1.47

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Flax						
1948.....	48	16,782	\$ 13,469	\$ 1,547	\$ 795	.51
1949.....	48	19,267	7,784	882	543	.62
1950.....	63	20,847	4,999	490	205	.42
1951.....	61	19,788	4,698	459	226	.49
1952.....	59	18,257	6,195	512	407	.79
1953.....	53	23,433	8,928	824	786	.95
1954.....	53	23,451	8,575	939	719	.77
1955.....	50	20,012	6,011	703	544	.77
1956.....	52	17,256	5,566	646	347	.54
1957.....	52	15,021	4,408	515	1,265	2.46
1958.....	55	16,543	3,557	410	185	.45
1959.....	71	19,066	3,914	451	740	1.64
1960.....	73	18,919	3,925	452	211	.47
1961.....	74	17,647	3,411	440	560	1.27
1962.....	82	19,286	4,300	553	358	.65
1963.....	85	19,995	5,889	684	542	.79
1964.....	89	20,089	4,959	614	867	1.41
1965.....	88	20,341	4,852	600	239	.40
1966.....	88	19,078	4,461	545	525	.96
1967.....	88	16,737	3,560	421	334	.79
1968.....	82	15,559	4,393	511	183	.36
1969.....	82	13,862	4,568	523	141	.27
1970.....	82	9,673	4,673	539	499	.93
1971.....	82	8,730	2,816	316	217	.69
1972.....	82	7,521	1,813	207	145	.70
1973.....	82	6,732	3,019	349	431	1.24
1974.....	82	5,786	3,216	377	734	1.94
Total....	--	---	---	15,509	12,748	.82
Grain Sorghum						
1959.....	3	110	54	5	1	.27
1960.....	3	90	33	3	1	.28
1961.....	3	77	15	1	1	.70
1962.....	27	751	1,839	89	35	.39
1963.....	67	5,686	8,408	565	423	.75
1964.....	94	9,025	10,259	695	713	1.03
1965.....	100	9,228	9,598	679	339	.50
1966.....	128	10,891	11,801	801	333	.42
1967.....	141	11,734	17,879	1,160	885	.76
1968.....	180	12,993	21,182	1,213	1,229	1.01
1969.....	185	12,435	19,542	1,078	440	.41
1970.....	185	12,317	20,978	1,196	1,150	.96
1971.....	185	12,187	24,362	1,442	842	.58
1972.....	185	11,160	19,035	1,134	984	.87
1973.....	186	10,012	18,066	1,114	254	.23
1974.....	179	9,148	18,596	1,110	1,815	1.63
Total....	---	---	---	12,285	9,445	.77

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Grape						
1967.....	8	224	\$ 1,730	\$ 89	\$ 90	1.02
1968.....	8	263	2,172	113	141	1.25
1969.....	8	232	1,955	103	267	2.59
1970.....	8	246	2,089	113	87	.77
1971.....	8	207	1,996	104	---	---
1972.....	8	254	2,868	148	605	4.10
1973.....	8	285	4,387	223	345	1.55
1974.....	8	279	3,636	226	24	.11
Total....	--	---	---	1,119	1,559	1.39
Oat						
1959.....	27	4,401	1,235	81	80	.99
1960.....	25	5,074	1,268	83	54	.65
1961.....	24	4,908	1,214	96	121	1.26
1962.....	86	11,899	3,292	249	118	.47
1963.....	168	22,084	6,542	481	290	.60
1964.....	217	30,395	7,896	582	402	.69
1965.....	221	32,966	8,067	595	133	.22
1966.....	238	32,916	8,221	596	355	.60
1967.....	246	32,392	9,110	623	298	.48
1968.....	252	33,908	11,680	801	316	.39
1969.....	259	31,396	10,972	724	310	.43
1970.....	259	26,715	9,990	660	310	.47
1971.....	259	24,389	9,277	585	146	.25
1972.....	259	20,417	6,289	381	468	1.23
1973.....	261	17,909	6,270	384	397	1.03
1974.....	258	16,086	6,004	375	395	1.05
Total....	---	---	---	7,296	4,193	.57
Pea						
1962.....	1	149	1,973	103	317	3.08
1963.....	12	1,042	4,763	261	138	.53
1964.....	20	2,260	5,931	353	932	2.64
1965.....	20	3,432	6,001	411	357	.87
1966.....	20	3,827	6,101	442	1,190	2.69
1967.....	29	4,455	7,039	512	388	.76
1968.....	32	4,258	7,111	519	1,440	2.77
1969.....	54	4,544	6,595	502	362	.72
1970.....	54	4,197	5,425	428	420	.98
1971.....	53	3,732	4,078	311	184	.59
1972.....	53	3,112	3,385	257	133	.52
1973.....	53	2,809	3,216	233	358	1.54
1974.....	52	2,603	5,308	431	334	.78
Total....	--	---	---	4,763	6,553	1.38

CROP INSURANCE EXPERIENCE BY YEAR 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Peach						
1957.....	1	92	\$ 242	\$ 37	\$ 19	.50
1958.....	1	97	317	49	37	.77
1959.....	1	87	318	48	55	1.13
1960.....	1	113	343	52	40	.76
1961.....	1	46	117	24	15	.63
1962.....	4	359	2,633	326	590	1.81
1963.....	19	790	4,054	508	525	1.03
1964.....	20	688	3,546	448	1,567	3.50
1965.....	21	762	5,139	651	346	.54
1966.....	23	632	3,391	430	410	.95
1967.....	23	492	2,705	340	778	2.29
1968.....	23	460	2,733	400	94	.24
1969.....	23	411	2,607	366	148	.41
1970.....	23	357	2,451	345	411	1.19
1971.....	23	305	2,182	313	553	1.77
1972.....	23	285	2,146	314	684	2.18
1973.....	23	249	2,043	310	747	2.41
1974.....	19	228	2,249	396	449	1.14
Total....	--	---	---	5,357	7,468	1.39
Peanut						
1962.....	4	1,649	3,822	193	67	.35
1963.....	33	4,302	9,977	613	469	.77
1964.....	43	4,499	10,820	659	861	1.31
1965.....	46	4,197	11,598	673	176	.26
1966.....	51	4,184	11,244	643	163	.25
1967.....	53	4,049	12,922	719	393	.55
1968.....	54	3,975	14,505	807	432	.53
1969.....	56	3,933	18,539	1,008	637	.63
1970.....	56	3,930	21,126	1,125	243	.22
1971.....	56	3,797	22,009	1,149	2,485	2.16
1972.....	56	3,766	22,419	1,197	632	.53
1973.....	65	4,499	38,240	2,100	434	.21
1974.....	65	4,505	46,448	2,467	788	.32
Total....	--	---	---	13,353	7,780	.58
Potato						
1962.....	1	334	1,738	91	198	2.17
1963.....	9	590	6,311	309	683	2.21
1964.....	9	484	3,735	190	756	3.98
1965.....	14	759	3,205	200	216	1.08
1966.....	14	711	3,409	214	486	2.27
1967.....	17	593	1,799	138	146	1.05
1968.....	17	309	995	72	99	1.38
1969.....	17	256	751	55	85	1.54
Total....	--	---	---	1,269	2,669	2.10

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Raisin						
1961.....	7	1,467	\$ 10,279	\$ 284	\$ 2	.01
1962.....	7	1,938	10,395	259	---	---
1963.....	7	1,993	12,926	360	1,311	3.64
1964.....	7	1,605	10,073	291	5	.02
1965.....	7	1,847	13,766	373	27	.07
1966.....	7	1,958	14,936	401	27	.07
1967.....	7	2,029	12,149	334	21	.06
1968.....	7	1,935	15,398	414	14	.03
1969.....	7	1,785	13,889	386	115	.30
1970.....	7	1,752	10,354	291	---	---
1971.....	7	1,690	10,444	309	---	---
1972.....	7	1,417	3,670	109	1	.01
1973.....	7	821	3,711	108	2	.02
1974.....	7	692	5,528	167	---	---
Total....	--	---	---	4,086	1,525	.37
Rice						
1960.....	5	189	313	15	8	.58
1961.....	4	65	243	11	11	1.03
1962.....	6	94	366	19	12	.64
1963.....	9	98	429	21	---	---
1964.....	17	217	1,879	66	44	.68
1965.....	19	201	1,834	62	26	.43
1966.....	20	178	1,615	54	18	.34
1967.....	24	205	2,153	63	19	.31
1968.....	24	180	2,176	62	48	.77
1969.....	24	164	1,540	43	19	.44
1970.....	24	142	1,343	39	3	.07
1971.....	24	197	2,308	63	33	.51
1972.....	24	224	2,482	66	37	.57
1973.....	24	210	2,503	67	43	.63
1974.....	24	261	4,651	125	51	.41
Total....	--	---	---	776	372	.48
Safflower						
1964.....	2	35	14	2	5	3.02
1965.....	2	36	4	1	4	7.42
1966.....	2	33	2	1	1	2.94
Total....	--	---	---	4	10	3.93
Soybean						
1955.....	6	1,091	455	29	21	.73
1956.....	7	1,560	687	45	34	.74
1957.....	7	1,385	743	50	33	.65
1958.....	136	14,640	7,565	500	181	.36
1959.....	204	26,764	8,799	602	265	.44
1960.....	214	28,947	10,140	670	376	.56
1961.....	227	30,683	12,373	803	432	.54

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Program (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Soybean (Cont'd)						
1962.....	323	38,599	\$ 19,070	\$ 1,197	\$ 803	.67
1963.....	371	48,537	31,627	2,274	2,232	.98
1964.....	436	60,029	45,477	3,228	3,295	1.02
1965.....	450	63,268	52,252	3,515	3,342	.95
1966.....	509	66,992	60,377	3,988	2,316	.58
1967.....	544	68,332	65,929	4,177	5,319	1.27
1968.....	565	69,209	71,598	4,420	3,456	.78
1969.....	602	66,033	72,343	4,239	3,765	.89
1970.....	602	57,495	65,436	3,925	2,306	.59
1971.....	602	54,358	67,789	3,921	2,822	
1972.....	602	48,740	69,220	3,898	3,096	.79
1973.....	608	47,387	88,619	4,805	1,506	.31
1974.....	624	46,422	98,964	5,186	5,200	1.01
Total....	---	---	---	51,472	40,800	.79
Sugar Beet						
1965.....	4	449	2,558	89	26	.29
1966.....	16	1,673	7,215	274	159	.58
1967.....	54	2,371	12,707	562	340	.60
1968.....	67	2,059	14,177	617	393	.64
1969.....	78	1,704	12,294	540	691	1.28
1970.....	78	1,725	11,304	485	641	1.32
1971.....	78	1,886	13,447	533	299	.56
1972.....	78	1,696	13,362	501	506	1.01
1973.....	78	1,639	14,635	543	419	.77
1974.....	95	1,800	17,663	759	861	1.13
Total....	--	---	---	4,903	4,335	.88
Sugarcane						
1967.....	4	200	2,680	92	6	.07
1968.....	11	416	5,406	171	35	.20
1969.....	12	504	4,710	144	11	.08
1970.....	12	509	6,890	190	42	.22
1971.....	12	488	8,406	222	198	.89
1972.....	12	391	7,971	201	189	.94
1973.....	12	236	5,658	152	424	2.79
1974.....	12	211	5,504	154	78	.50
Total....	--	---	---	1,326	983	.74
Tobacco						
1948.....	32	31,605	21,356	655	285	.43
1949.....	35	35,023	22,922	740	489	.66
1950.....	52	71,898	47,556	1,451	887	.61
1951.....	69	76,426	50,349	1,586	779	.49
1952.....	82	76,973	52,482	1,543	1,213	.79
1953.....	103	102,691	68,355	2,027	3,854	1.90
1954.....	107	83,082	70,634	2,364	2,107	.89

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Tobacco (Cont'd)						
1955.....	127	86,754	\$ 72,664	\$ 2,720	\$ 1,075	.40
1956.....	143	80,796	59,113	2,175	618	.28
1957.....	149	71,497	46,582	1,629	559	.34
1958.....	151	69,157	47,948	1,650	310	.19
1959.....	160	72,385	54,241	1,699	645	.38
1960.....	166	73,224	58,209	2,027	711	.35
1961.....	172	70,651	60,793	2,115	612	.29
1962.....	191	75,774	99,717	3,303	2,617	.79
1963.....	212	80,482	111,058	3,670	2,281	.62
1964.....	217	75,799	102,087	3,355	1,056	.31
1965.....	224	76,416	115,284	3,421	1,814	.53
1966.....	244	80,437	141,008	4,000	2,371	.59
1967.....	252	78,914	151,309	4,182	1,583	.38
1968.....	255	75,537	143,318	3,915	2,096	.54
1969.....	253	73,465	192,951	4,651	4,938	1.06
1970.....	253	74,594	217,762	5,248	3,055	.58
1971.....	253	72,146	210,379	5,071	1,960	.39
1972.....	252	67,237	213,138	5,005	1,793	.36
1973.....	253	64,219	284,948	6,507	4,348	.67
1974.....	254	61,276	315,734	7,481	2,164	.29
Total....	---	---	---	84,190	46,220	.55
Tomato						
1963.....	3	124	367	24	10	.41
1964.....	10	214	526	34	9	.25
1965.....	10	166	400	26	7	.27
1966.....	6	123	264	17	31	1.81
1967.....	11	238	553	45	29	.64
1968.....	13	243	698	51	49	.97
1969.....	13	222	527	36	65	1.79
1970.....	13	243	660	45	13	.30
1971.....	13	195	511	35	14	.40
1972.....	13	151	476	31	26	.84
1973.....	13	131	291	18	18	.97
1974.....	8	79	471	30	70	2.38
Total....	--	---	---	392	341	.87
Tung Nut						
1965.....	1	47	123	24	2	.08
1966.....	1	43	117	23	7	.32
1967.....	1	38	103	20	3	.15
1968.....	1	17	44	8	40	4.92
1969.....	1	17	43	9	3	.38
1970.....	1	15	28	5	12	2.27
Total....	--	---	---	89	67	.75

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Wheat						
1948.....	200	84,990	\$ 84,542	\$ 8,580	\$ 5,010	.58
1949.....	199	58,881	83,552	7,841	11,209	1.43
1950.....	283	84,816	95,867	8,254	4,287	.52
1951.....	356	105,746	132,120	11,081	11,728	1.06
1952.....	390	118,847	149,422	12,442	10,570	.85
1953.....	405	142,818	187,264	16,075	20,035	1.25
1954.....	402	135,697	144,027	12,983	18,485	1.42
1955.....	400	124,757	125,208	13,208	16,683	1.26
1956.....	389	112,576	114,059	11,306	12,341	1.09
1957.....	390	107,516	88,363	8,106	4,856	.60
1958.....	394	99,998	97,490	9,427	1,490	.16
1959.....	460	104,327	95,992	8,631	5,876	.68
1960.....	480	106,449	90,357	7,925	1,828	.23
1961.....	492	100,193	93,287	8,419	9,159	1.09
1962.....	534	100,327	83,932	7,292	2,768	.38
1963.....	573	103,248	117,083	8,621	8,199	.95
1964.....	598	103,080	132,826	10,300	5,900	.57
1965.....	627	98,833	155,295	11,562	14,309	1.24
1966.....	640	93,995	151,995	10,969	5,882	.54
1967.....	678	89,447	210,028	14,583	16,662	1.14
1968.....	708	90,458	216,007	14,973	15,149	1.01
1969.....	736	87,241	191,002	13,201	9,746	.74
1970.....	734	83,007	181,195	11,848	5,436	.46
1971.....	731	77,876	212,597	13,255	5,586	.42
1972.....	731	71,753	195,935	11,950	5,041	.42
1973.....	731	67,410	229,878	13,367	11,126	.83
1974.....	731	66,063	284,406	16,346	15,839	.97
Total....	---	---	---	302,545	255,200	.84
Puerto Rico Reins:						
1968.....	---	---	2,106	96	5	.05
1969.....	---	---	1,562	71	4	.05
1970.....	---	---	1,270	59	10	.16
1971.....	---	---	1,371	62	1	.01
1972.....	---	---	1,150	54	4	.08
Total....	---	---	---	342	24	.07

CROP INSURANCE EXPERIENCE BY YEARS 1948-1974

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Grand Total						
1948.....	375	169,129	\$ 153,997	\$ 12,684	\$ 6,780	.53
1949.....	394	165,076	163,495	11,862	15,531	1.31
1950.....	624	306,685	240,448	14,104	12,799	.91
1951.....	810	343,210	317,463	19,111	21,338	1.12
1952.....	874	340,686	350,216	21,200	20,609	.97
1953.....	922	406,630	437,514	27,098	31,057	1.15
1954.....	884	346,887	354,279	22,655	28,030	1.24
1955.....	888	319,958	309,924	22,330	25,505	1.14
1956.....	948	324,949	306,743	22,139	27,890	1.26
1957.....	989	307,604	242,200	17,407	12,004	.69
1958.....	1,213	324,435	242,712	17,617	4,505	.26
1959.....	1,488	339,463	270,828	18,461	14,138	.77
1960.....	1,550	330,448	265,885	17,797	10,316	.58
1961.....	1,597	320,056	271,709	18,149	16,092	.89
1962.....	1,967	364,175	356,354	21,854	24,022	1.10
1963.....	2,379	418,076	496,669	30,374	23,524	.77
1964.....	2,689	447,567	542,117	33,852	30,362	.90
1965.....	2,781	450,652	590,393	36,015	40,753	1.13
1966.....	3,023	457,396	635,523	36,828	25,198	.68
1967.....	3,245	449,143	773,010	43,485	55,112	1.27
1968.....	3,398	455,750	875,054	48,966	51,280	1.05
1969.....	3,558	436,103	918,520	48,816	52,780	1.08
1970.....	3,537	396,816	852,086	44,387	41,850	.94
1971.....	3,536	381,147	946,005	47,878	28,553	.60
1972.....	3,535	342,326	854,971	42,063	25,266	.60
1973.....	3,570	318,683	1,007,519	47,537	28,355	.60
1974.....	3,561	303,746	1,149,844	54,009	63,251	1.17
Total	---	---	---	798,678	736,900	.92

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly owned Government corporation, created in 1933 to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities, their products, foods, feeds, and fibers; and to help in their orderly distribution. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948, (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities, including the storage, handling, and disposition of commodities acquired under the programs; set-aside, deficiency and/or disaster payment programs for feed grains, wheat, and cotton; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended, which are financed by appropriations authorized by statutes providing for the activities. Under section 4 of the Food for Peace Act of 1966, CCC finances short term export credit sales on credit terms not to exceed three (3) years under the Export Credit Sales Program for which appropriations are also authorized.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of six members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. A bipartisan advisory board of five members, also appointed by the the President, surveys the general policies of the Corporation and advises the Secretary. Officers of the Corporation are designated according to their positions in the Department of Agriculture.

The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The Foreign Agricultural Service, other agencies and offices of the Department and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its central offices in Washington, D. C. and a commodity office located in Prairie Village, Kansas. In addition ASCS has a Data Systems Field Office located in Kansas City, Missouri.

The ASC State and county committees carry out certain of the Corporation's support and related activities within the States and counties. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,700 county offices. The ASC State committees supervise the activities of the ASCS county committees in their respective States.

FINANCING

Borrowing authority. --The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion. Funds are borrowed from Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4).

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on other notes and obligations at a rate prescribed by CCC and approved by the Secretary of the Treasury. No interest is paid on realized losses of the Corporation beyond the year in which such losses are incurred.

Contract authority. --Support and other programs required by statute may result in the Corporation incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds which may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

Appropriations. --

Reimbursement for net realized losses. --Under Public Law 87-155 (15 U.S.C. 713a 11, 12), annual appropriations are authorized for each fiscal year, commencing with the fiscal year 1961. These appropriations are to reimburse the Corporation for net realized losses incurred as reflected in its accounts and shown in its report of financial condition.

National Wool Act. --Under Sec. 705 of the National Wool Act, as amended, a permanent appropriation is made to reimburse the Corporation for amounts expended during the preceding year and for amounts expended in prior fiscal years not previously reimbursed. This appropriation may not exceed 70% of the gross receipts from duties collected on wool and wool manufactures during the calendar year preceding the fiscal year.

Available Funds, 1975 and 1976 and Estimated, 1977

Item	1975	Available 1976	Budget Estimate, 1977
Commodity Credit Corporation: Support and related programs: Reimbursement for net realized losses	\$4,069,412,000	\$2,750,000,000	\$898,652,000
Reimbursement to CCC, National Wool Act	64,417,500	27,250,000	45,211,000
Total Commodity Credit Corporation	\$4,133,829,500	\$2,777,250,000	\$943,863,000

(a) Reimbursement for Net Realized Losses

Appropriation Act, 1976	\$2,750,000,000
Budget Estimate, 1977	<u>898,652,000</u>
Decrease in appropriation	-1,851,348,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

	<u>1976</u>	<u>Increase or Decrease</u>	<u>1977 Estimate</u>
Reimbursement of losses:			
Partial reimbursement of			
1974 and prior years'			
losses	\$2,750,000,000	-\$2,560,947,000	\$189,053,000
1975 losses	--	+\$709,599,000	<u>\$709,599,000</u>
Total	\$2,750,000,000	-\$1,851,348,000	\$898,652,000

PROJECT STATEMENT
(on basis of appropriation)

<u>Project</u>	<u>1975</u>	<u>1976 (estimated)</u>	<u>Increases and Decreases</u>	<u>1977 (estimated)</u>
Reimbursement for				
1974 and prior				
years' losses:				
Appropriation	\$4,069,412,000	\$2,750,000,000	-\$1,851,348,000	\$898,652,000

The decrease of \$1,851,348,000 in the 1977 budget estimate compared with the 1976 appropriation is explained in the "Justification of Increases and Decreases" which follows the "Explanation of Program" below.

DECREASE

The 1977 estimate of \$898,652,000 would reimburse the Corporation for all actual losses through June 30, 1975, and provide an estimated balance of borrowing authority at the end of 1977 of \$10,320,686,000.

EXPLANATION OF PROGRAM

USDA Goals and Objectives

The USDA goal is to assure that commercial farmers and ranchers have the opportunity to earn incomes in the marketplace that are comparable with returns elsewhere in the economy, and thereby assure supplies of agricultural products which are adequate to meet a growing domestic and export demand at reasonable prices to consumers.

The primary objective is to achieve this goal through a market-oriented approach that restores basic management responsibilities to farmers, avoids the accumulation of burdensome production surpluses, provides prices reasonable to consumers and competitive in world markets, and minimizes dependence on Federal income transfers.

Specific objectives are to

- Maintain national aggregate net farm income at levels sufficient to insure investments in agriculture necessary to fully utilize production capacity within environmental constraints.
- Direct agricultural policy and programs so that the future number of family farms will remain consistent with efficiency in production and provide adequate levels of net income per farm.
- Support efforts to strengthen farmers' power to bargain in the sale of farm products and the purchase of farm inputs.
- Reduce Federal intervention in agricultural production management, minimize Federal budget outlays for commodity programs, and rely on farmers, traders, food processors and individuals to maintain adequate levels of food stocks and reserves.

Provisions of the Program

The programs of the Commodity Credit Corporation cover a wide range of operations.

- A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.
 - 1. It has no employees--its functions are performed by ASCS employees.
 - 2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also must fit into the processes used in formulating and executing the over-all U. S. Budget.
 - 3. Its operations are closely related to and affected by the operations of other programs financed from appropriated funds - such as Agricultural Conservation Program, Cropland Adjustment Program, Sugar Act Program, Section 32 and School Lunch Program.
 - 4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations.

- a. Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

B. CCC operations are unique in many ways.

1. The primary aim of CCC is to assist in stabilizing, supporting, and protecting farm income and prices and help maintain balanced and adequate supplies of agricultural commodities.
2. It operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives:
 - a. Buying
 - b. Selling
 - c. Bartering
 - d. Donating
 - e. Lending
 - f. Storing
 - g. Transporting
 - h. Making payments
 - i. Other activities
3. The major activity is support of prices as required or authorized by existing law.
 - a. Support of farm prices is accomplished through loans, payments, and purchases from farmers or processors.
 - b. Under existing law -- CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, tung nuts and oil, wool, mohair, barley, oats, rye, and grain sorghum at levels provided for by law.
 - (1) CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside provisions, if in effect.
 - c. In addition, CCC supports the prices of other commodities at the discretion of the Secretary. Once announcement is made as to support to be offered and the level thereof, CCC is in the same position as it is with respect to the "mandatory" commodities.
4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price determines the volume of that commodity which will be placed under support or acquired by the CCC.
 - a. This in turn is determined by weather conditions, insect damage, use of fertilizers and all other factors influencing production; and by already existing supplies, domestic and export demand and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.

5. CCC also carries out a Storage Facilities Program (loans to producers and use guarantees to warehousemen), commodity export programs and other activities. Support operations and resultant inventory management problems account for the bulk of the total workload, however.
6. There are several other characteristics of CCC operations which are important in analyzing its budget problems and processes.
 - a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen, and others.
 - b. CCC operations involve the handling of literally millions of documents and transactions during a 12-month period.
 - c. CCC workload cannot be deferred. Commodities must be moved, warehouse and freight charges must be paid, claims must be settled, loans must be made and liquidated. Inspection of warehouses and commodities is done by the Agricultural Marketing Service, but financed by CCC.
 - d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.
 - e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers, and others with which business dealings are conducted.
 - f. Trade customs and practices with respect to individual commodities must be observed in operations.
 - g. To support prices, CCC makes nonrecourse loans which bear no interest if the borrower does not repay them and which are fully settled by delivery of the commodity to CCC at maturity of the loans.
 - h. Finally, CCC operations are big:
 - (1) The Corporation has a borrowing power of \$14.5 billion and capital stock of \$100 million. Its capital structure is replenished each year by appropriations to restore realized losses on support operations and to reimburse costs of other programs.
 - (2) Its commodity loans and purchases in the fiscal year 1975 amounted to \$1.6 billion, its sales to \$.5 billion, and it had outstanding loans on commodities of \$.5 billion and owned commodities with a cost value of \$.4 billion on June 30, 1975.

JUSTIFICATION OF INCREASES AND DECREASES

Realized Losses, 1974 and 1975

Item	Fiscal Year 1974	Increase and Decrease	Fiscal Year 1975
Support and related programs:			
Commodity inventory operations:			
Loss or gain* on sales	\$173,177,626*	+\$85,827,330 (1)	\$87,350,296*
Donations	211,127,318	-43,541,022 (2)	167,586,296
Storage and handling expense .	19,278,086	-1,947,162 (3)	17,330,924
Transportation expense	14,264,611	+2,120,042 (4)	16,384,653
Total commodity inventory operations	71,492,389	+42,459,188	113,951,577
Commodity export payments	56,965,508	-53,890,876 (5)	3,074,632
Reseal storage payments	17,443,312	-17,069,637 (6)	373,675
Producer payments:			
Cotton	718,332,959	-587,336,909 (7)	130,996,050
Feed grains	1,141,899,013	-814,150,408 (8)	327,748,605
Wheat	490,877,076	-389,373,414 (9)	101,503,662
Total producer payments	2,351,109,048	-1,790,860,731	560,248,317
Net payments	2,351,109,048	-1,790,860,731	560,248,317
Other program expense (net)	15,233,685	-11,746,654 (10)	3,487,031
Interest (net)	182,625,349	-225,329,331 (11)	42,703,982*
Administrative and nonadminis- trative (net)	64,183,281	+6,984,215 (12)	71,167,496
Total realized losses	2,759,052,572	-2,049,453,826	709,598,746
Unreimbursed prior years losses to be requested in subsequent years	-9,052,572	+198,105,826	189,053,254
Total available or estimate	2,750,000,000	-1,851,348,000	898,652,000

NOTE: Asterisks (*) denote gain or receipts.

Explanation of Increases or Decreases in Realized Losses, 1974 and 1975

(1) An increase of \$85,827,330 due to reduced gain on sales (\$173,177,626 gain in 1974). The increase is due to reduced net gains on sales resulting from lower volume of sales of wheat, corn, grain sorghum, oats and rye.

(2) A decrease of \$43,541,022 in domestic donations (\$211,127,318 in 1974). The decrease is primarily due to non-availability of corn, oats and wheat products partially offset by increases in cheese and dried milk.

(3) A decrease of \$1,947,162 in storage and handling expenses (\$19,278,086 in 1974). The decrease results primarily from lower average inventories of corn, grain sorghum, barley, oats, wheat, rye, flaxseed, soybeans and tung oil partially offset by higher inventories of dairy products.

(4) An increase of \$2,120,042 in transportation expense (\$14,264,611 in 1974). The increase primarily results from more transportation on highly increased purchases of dairy products partially offset by decreases in wheat, grain sorghum and corn.

(5) A decrease of \$53,890,876 in commodity export payments (\$56,965,508 in 1974). Reflects liquidation of outstanding contracts under export payment programs.

(6) A decrease of \$17,069,637 in reseal storage payments (\$17,443,312 in 1974). The decrease is due to the discontinuation of reseal program because of high market prices and low stocks of feed grains, wheat and soybeans. Program was discontinued in fiscal year 1973.

(7) A decrease of \$587,336,909 in cotton producer payments (\$718,332,959 in 1974). The decrease is due to the elimination of set-aside acreage provision for the 1974 crop, partially offset by disaster payments resulting from adverse weather in 1974 calendar year.

(8) A decrease of \$814,150,408 in feed grains producer payments (\$1,141,899,013 in 1974). The decrease is due to the elimination of set-aside acreage provision for the 1974 crop, partially offset by disaster payments resulting from adverse weather in 1974 calendar year.

(9) A decrease of \$389,373,414 in wheat producer payments (\$490,877,076 in 1974). The decrease is due to the elimination of set-aside acreage provision for the 1974 crop, partially offset by disaster payments resulting from adverse weather in 1974 calendar year.

(10) A decrease of \$11,746,654 in other program expense (\$15,233,685 in 1974). The decrease is primarily due to reduced losses in vegetable oil products, rice, tobacco and other commodity programs and reduced offshore procurement premiums, partially offset by increase in dairy product losses.

(11) A decrease of \$225,239,331 in net interest expense (\$182,625,349 in 1974). The decrease is due to increased interest income because of higher average rates on loans made and lower average interest rates paid Treasury on reduced borrowings.

(12) An increase of \$6,984,215 in administrative and non-administrative expenses (\$64,183,281 in 1974). The increase is primarily due to amounts transferred to cover increased pay costs and increased work load for disaster applications and payments under the wheat, feed grains and cotton programs.

Fiscal Year 1974 - Actual (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	173.2*	57.4*	110.2*	b/	b/	b/	.1	.5	.7*	5.5*
Donations	212.3	6.1	35.7	b/	14.4	-	84.2 c/	b/	17.1	54.8 d/
Storage and handling	19.3	7.7	9.3	-	b/	b/	.4	.7	b/	1.2
Transportation	13.1	5.7	4.4	-	.3	-	1.9	-	b/	.8
Commodity export payments	57.0	-	43.3	-	b/	-	-	-	-	13.7
Set-aside or support payments	2,351.1	1,141.9	490.9	713.3	-	-	-	-	-	5.0
Wheat certificate sales	-	-	-	-	-	-	-	-	-	-
Reseal loan storage payments ..	17.4	13.0	4.3	-	-	-	-	-	-	.1
Other	14.2	.6*	1.2*	3.0	-	-	-	-	-	9.6
Total, program costs	2,511.2	1,116.4	476.5	716.3	14.7	b/	86.6	4.8	16.2	79.7
Nonprogram Costs:										
Interest (net):										
Support and related	168.2									
Short-term export credit sales	14.4									
Administrative and nonadministrative	65.3									
Total, nonprogram costs ...	247.9									
Total, realized losses	2,759.1									

* Denotes gain or receipts.

a/ Other commodities and programs include flaxseed, extra long staple cotton, tung oil, soybean products, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, offshore procurement premiums, administrative equipment, and storage facilities, dry edible beans, and research.

b/ Less than \$50,000.

c/ Includes Section 709 donations (\$14.3 million).

d/ Reflects Section 4(a) donations.

Fiscal Year 1975 - Actual (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
<u>Program Costs:</u>										
Gain* or loss on sales	87.4*	26.1*	52.3*	b/	.1*	-	2.9*	.5	.9*	5.6*
Donations	169.0	1.4	b/	b/	b/	-	150.9	-	b/	16.7 c/
Storage and handling	17.3	9.4	3.0	-	b/	-	3.0	1.9	b/	b/
Transportation	15.0	5.0	1.2	b/	b/	-	8.1	.7	b/	b/
Commodity export payments	3.1	-	b/	-	-	-	-	-	-	3.1
Disaster or support payments .	560.2	327.7	101.5	127.1	-	-	-	-	-	3.9
Wheat certificate sales	-	-	-	-	-	-	-	-	-	-
Reseal loan storage payments .	.4	.4	b/	-	-	b/	-	-	-	-
Other	3.0	.3*	.3*	-	-	-	-	-	-	-
Total, program costs	680.6	317.5	53.1	130.0	.1*	b/	159.1	3.0	.1	.7
<u>Nonprogram costs:</u>										
Interest (net):										
Support and related	41.0*									
Short-term export credit sales	1.7*									
Administrative and nonadminis- trative	71.7									
Total, nonprogram costs ..	29.0									
Total, realized losses	709.6									

* Denotes gain or receipts.

a/ Other commodities and programs include extra long staple cotton, tobacco, livestock feed program, administrative equipment, and supply program.

b/ Less than \$50,000.

c/ Reflects Section 4(a) donations.

Fiscal Year 1976 - Estimated (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	28.3*	21.8*	8.9*	--	b/	--	13.7	--	--	11.3*
Donations	201.2	.7	.6	--	b/	--	106.4	--	--	93.5 c/
Storage and handling	20.2	4.6	.3	--	--	--	6.1	4.7	--	4.5
Transportation	7.3	.9	.3	--	--	--	3.0	.2	--	2.9
Commodity export payments	1.2	--	--	--	--	--	--	--	--	1.2
Disaster or support payments...	271.7	130.0	65.0	75.0	--	--	--	--	--	1.7
Wheat certificate sales	--	--	--	--	--	--	--	--	--	--
Reseal loan storage payments ..	--	--	--	--	--	--	--	--	--	--
Other	3.2*	.1*	.6*	3.0	--	--	--	--	--	--
Total, program costs	470.1	114.3	56.7	78.0	b/	--	129.2	4.9	--	5.5*
Nonprogram costs:										
Interest (net):										
Support and related	66.2									
Short-term export credit sales	6.8									
Administrative and nonadminis- trative	78.0									
Total, nonprogram costs ...	151.0									
Total, realized losses	621.1									

* Denotes gain or receipts.

a/ Other commodities and programs include extra long staple cotton, tobacco, livestock feed program, administrative equipment, supply program, and peanut oil.

b/ Less than \$50,000.

c/ Reflects peanut oil and section 4(a) donations.

Fiscal Year 1977 - Estimated (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts a/	Vegetable Oil Products	All Other Commodities and Programs b/
Program Costs:										
Gain* or loss on sales.....	123.6	8.1*	2.5*	--	--	--	--	134.1	--	.1
Donations.....	252.0	.6	--	--	--	--	175.2	76.2 c/	--	--
Storage and handling.....	13.7	2.1	--	--	--	--	8.4	3.2	--	--
Transportation.....	3.5	.2	--	--	--	--	3.1	.2	--	--
Commodity export payments.....	--	--	--	--	--	--	--	--	--	--
Disaster or support payments....	378.5	196.0	97.0	85.0	--	--	--	--	--	.5
Wheat certificate sales.....	--	--	--	--	--	--	--	--	--	--
Reseal loan storage payments....	--	--	--	--	--	--	--	--	--	--
Other.....	173.8	.1	.1	--	--	--	.1*	152.3 d/	--	21.4
Total, program costs.....	945.1	190.9	94.6	85.0	--	--	186.6	366.0	--	22.0
Nonprogram costs:										
Interest (net):										
Support and related.....	98.3									
Short-term export credit sales.....	20.4*									
Administrative and nonadminis- trative.....	77.4									
Total, nonprogram costs....	155.3									
Total, realized losses.....	1,100.4									

a/ Includes peanut oil.

b/ Other commodities and programs include extra long staple cotton, tobacco, livestock feed program, administrative equipment, and supply program.

c/ Reflects peanut oil donations.

d/ Loan write-offs.

* Denotes gain or receipt.

STATUS OF PROGRAM

INTRODUCTION

The Commodity Credit Corporation carries out operations on a nation-wide basis, involving many agricultural commodities. These actions have economic impact on domestic and international markets. The Corporation makes loans on agricultural commodities, and barter agricultural commodities for materials, goods, services, and equipment. The purchases, sales, storage, handling, etc. of these commodities and materials involve many different trade practices. The Corporation endeavors to use normal trade facilities to the fullest practicable extent in its operations. Such facilities include commercial banks, growers' organizations, brokers, exporters, cooperative associations, warehousemen, and others.

Although ASCS, through its personnel and facilities, administers support operations, the programs are authorized and financed by the Corporation.

The principal activities carried out by the Corporation involve:

1. Support and related activities.
2. Commodity export activities.
3. Storage activities.
4. Supply and foreign purchase programs.
5. Acquisition and disposal activities.
6. Special activities.

SUPPORT AND RELATED ACTIVITIES

Commodities Covered

ASCS administers support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, honey, and crude pine gum.

Purpose of Loans

Support loans and purchases give farmers a ready means of promoting more orderly marketing, particularly in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels. These inventories are, in turn, released into the market as needed to stabilize supplies and prices.

Technique for Administering Support Operations

Support is achieved through loans, purchases, and payments for selected commodities, at announced or guaranteed levels. Recent legislation is designed to attract the farm production that is needed to meet domestic and foreign demand for food and fiber. At the same time, income to growers is protected through an established target price mechanism for the major commodities: feed grains, wheat, and cotton. Payments are required when the established prices for those commodities exceed the national average market price or the loan rate, whichever is higher. In addition, legislation provides for making disaster payments to producers who are prevented from planting feed grains, wheat, or upland cotton because of a natural disaster or condition beyond the control of the

producers or who, because of such a disaster or condition, is prevented from harvesting at least two-thirds of the normal production of his feed grains, wheat or cotton allotment.

Eligibility for support loans, purchases and payments is conditioned on compliance with program requirements for the particular commodity. Support loans to producers are "nonrecourse". With this type of loan, producers do not suffer any loss for any decline in the market price of the commodity they have put up as collateral. If market prices are above support levels, producers can pay off their loans and market their commodity. If market prices fail to rise above support levels, producers can deliver the commodity to the Corporation, with appropriate adjustments for quality and quantity, and discharge their obligation in full.

Seed cotton loans are made on a recourse basis during cotton ginning operations. For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Small amounts of some grains are also purchased from producers. Milk is supported through purchases of processed dairy products. Support on tobacco, peanuts, naval stores, and a part of the cotton crop is carried out through loans to producer cooperative associations that, in turn, make support available to producers.

Interest rates charged on loans are at rates designed to recover the cost of money to CCC. These rates are reviewed semi-annually in October and March. As of October 1, 1975 the rate was 7.50 percent.

Loan Period Availability

Loans are available for periods of six to eight months following harvest. Depending on the commodity, loans generally mature one to three months following the end of loan availability. Loans for cotton, however, mature 10 months after disbursement. Support purchases from producers are made at the time of loan maturity for the crop.

Loan and Purchase Volume - Fiscal Year 1975

Dollar volume of support extended through loans on 1974 crop production totals \$829.3 million. However, acquisitions of commodities under loan amounted to \$99.8 million. Purchases of dairy products, products of wheat, corn, oats, and vegetable oils for donations and small purchases of grains on which loans are also made total \$735.3 million.

Set-aside Program

The Agriculture and Consumer Protection Act of 1973 (PL 93-86) authorizes a set-aside program for feed grains, wheat and upland cotton. There was no set-aside requirement for the 1975 crops as determined by the Secretary, and none is planned for 1976 crops. Producers must, as a condition of eligibility for loans, purchases and payments on such commodity, comply with announced program requirements.

Disaster Payments

The Agriculture and Consumer Protection Act of 1973 (PL 93-86) authorized disaster payments under the wheat, feed grain and upland cotton programs. Producers may qualify for payments when prevented by natural disaster from planting any portion of his wheat, feed grain or cotton allotment or when he is prevented from harvesting at least two-thirds of the normal production of his wheat, feed grain or cotton allotment.

Disaster Reserve

Under Section 813 of the Agricultural Act of 1970, as amended by the Agriculture and Consumer Protection Act of 1973, the Secretary shall establish, maintain and dispose of a separate reserve of inventories of not to exceed 75 million bushels of wheat, feed grains and soybeans for the purpose of alleviating distress caused by a natural disaster. The Secretary shall acquire such commodities through the price support program; 25 million bushels of oats held by the Commodity Credit Corporation has been designated as a disaster reserve as of July 1, 1975. In order to rotate, distribute and locate reserves, such reserve may be sold at equivalent prices. The Secretary may use the Commodity Credit Corporation and shall utilize usual and customary channels, facilities and arrangements of trade and commerce to the maximum extent possible. Appropriations are authorized for sums necessary to carry out the purpose of this section.

Wool and Mohair Program

Payments made during fiscal year 1975 on 1974 wool marketings totalled \$14.7 million. No payments were made on mohair during fiscal year 1975.

Table I below itemizes direct payments made to producers by fiscal year:

Table I - Payments to Producers

Item	1971 Actual	1972 Actual	1973 Actual	1974 Actual	1975 a/ Actual	1976 a/ Estimate	1977 a/ Estimate
<u>Millions of Dollars</u>							
Feed Grains	1,503.6	1,053.3	1,846.3	1,141.9	327.7	130.0	196.0
Wheat	873.6	884.5	863.1	490.8	101.5	65.0	97.0
Cotton, upland & ELS	917.5	824.0	813.5	718.4	131.0	76.7	85.5
Subtotal	3,294.7	2,761.8	3,522.9	2,351.1	560.2	271.7	378.5
Wool and mohair b/ ..	71.9	112.8	68.0	.1	14.6	40.4	31.3
Total payments ...	3,366.6	2,874.6	3,590.9	2,351.2	574.8	312.1	409.8
Wheat certificates sold to processors	-385.4	-392.6	-400.4	--	--	--	--
Net payments ...	2,981.2	2,482.0	3,190.5	2,351.2	574.8	312.1	409.8

a/ Largely disaster payments under P.L. 93-86.

b/ Further details for "National Wool Act" are contained in this volume of explanatory notes.

Table II below itemizes a summary of support and related operations:

Table II - CCC loan, inventory, and related activities

Item	1975 Actual	1976 Estimate	1977 Estimate
<u>Millions of Dollars</u>			
Support and Related:			
Loan Activity: (Including storage facilities)			
Loans outstanding, beginning of year	730.3	542.3	994.1 b/
Loans made	852.0	1,363.9	1,269.0
Loans repaid	938.9	897.5	1,085.6
Collateral acquired	99.8	237.9	--
Write-offs	.1	.2	152.5
Transfers to accounts receivable	1.2	.3	.3
Loans outstanding, end of year	542.3	770.3	1,024.7
Inventory Activity:			
Inventory, beginning of year	114.2	416.1	684.8 b/
Purchases	735.3	510.5	579.2
Collateral acquired	99.8	237.9	--
Loan collateral settlements and overdeliveries	a/	--	--
Processing, packaging, etc.	3.4	55.7	15.8
Storage and handling (including depreciation)	(17.3)	(20.2)	(13.7)
Transportation	(14.9)	(7.3)	(3.4)
Transfers (net)	-7.2	--	--
Cost of sales	361.8	368.9	433.9
Donations	167.6	200.5	252.0
Inventory, end of year	416.1	650.8	593.9
Payments to producers (gross) (excludes wool)	560.2	271.7	378.5
Realized loss	709.6	621.1	1,100.4
Investment in agricultural commodities	759.8	1,232.3	1,439.5

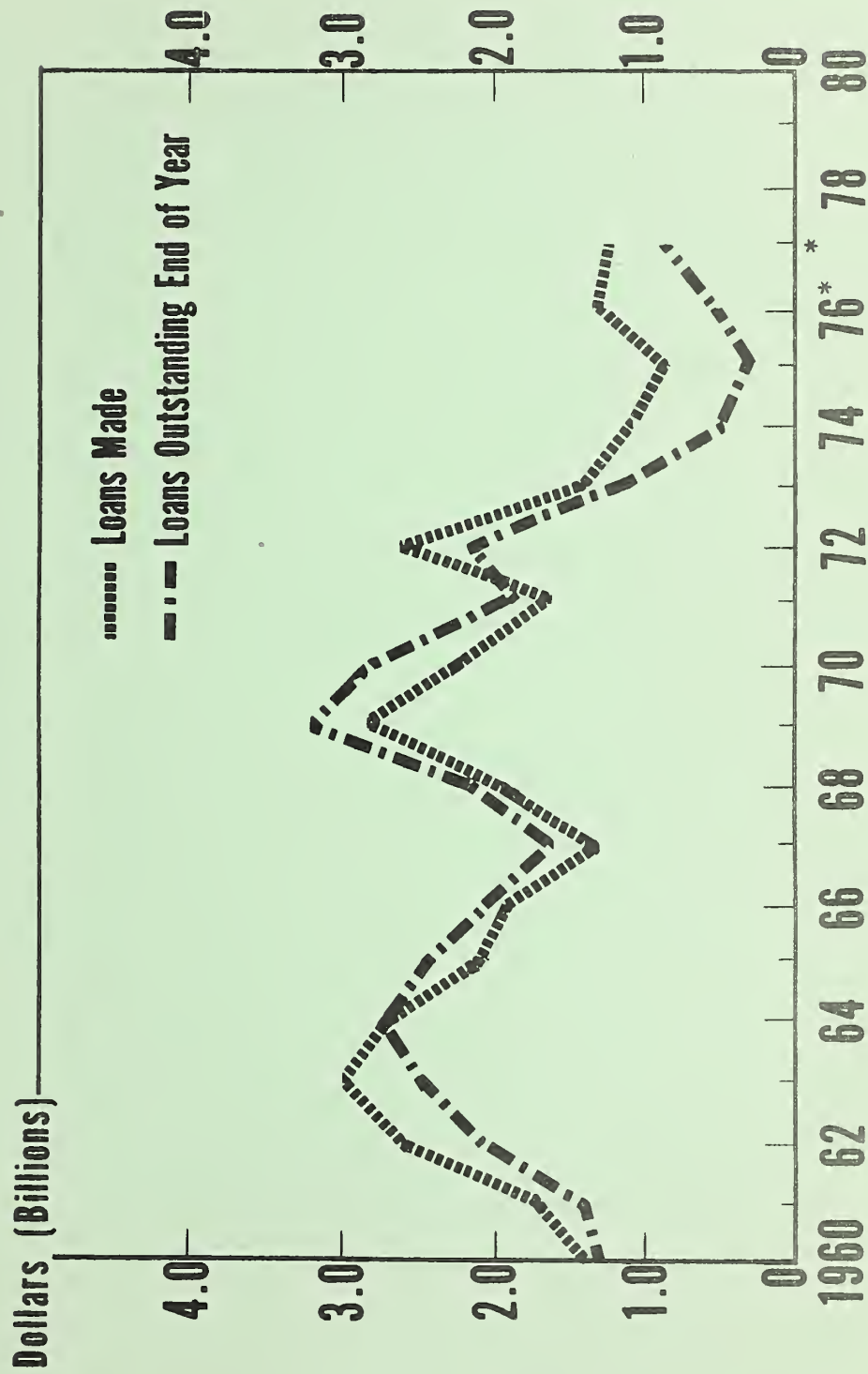
a/ Less than \$100 thousand.

b/ Beginning balances reflect additional loan and inventory activity during the transition quarter.

Refer to exhibits 1 and 2 for a graphic history on selected items on the loan and inventory activities for fiscal years 1960 through 1977.

COMMODITY LOANS MADE DURING THE YEAR AND OUTSTANDING BALANCE AT THE END OF THE YEAR

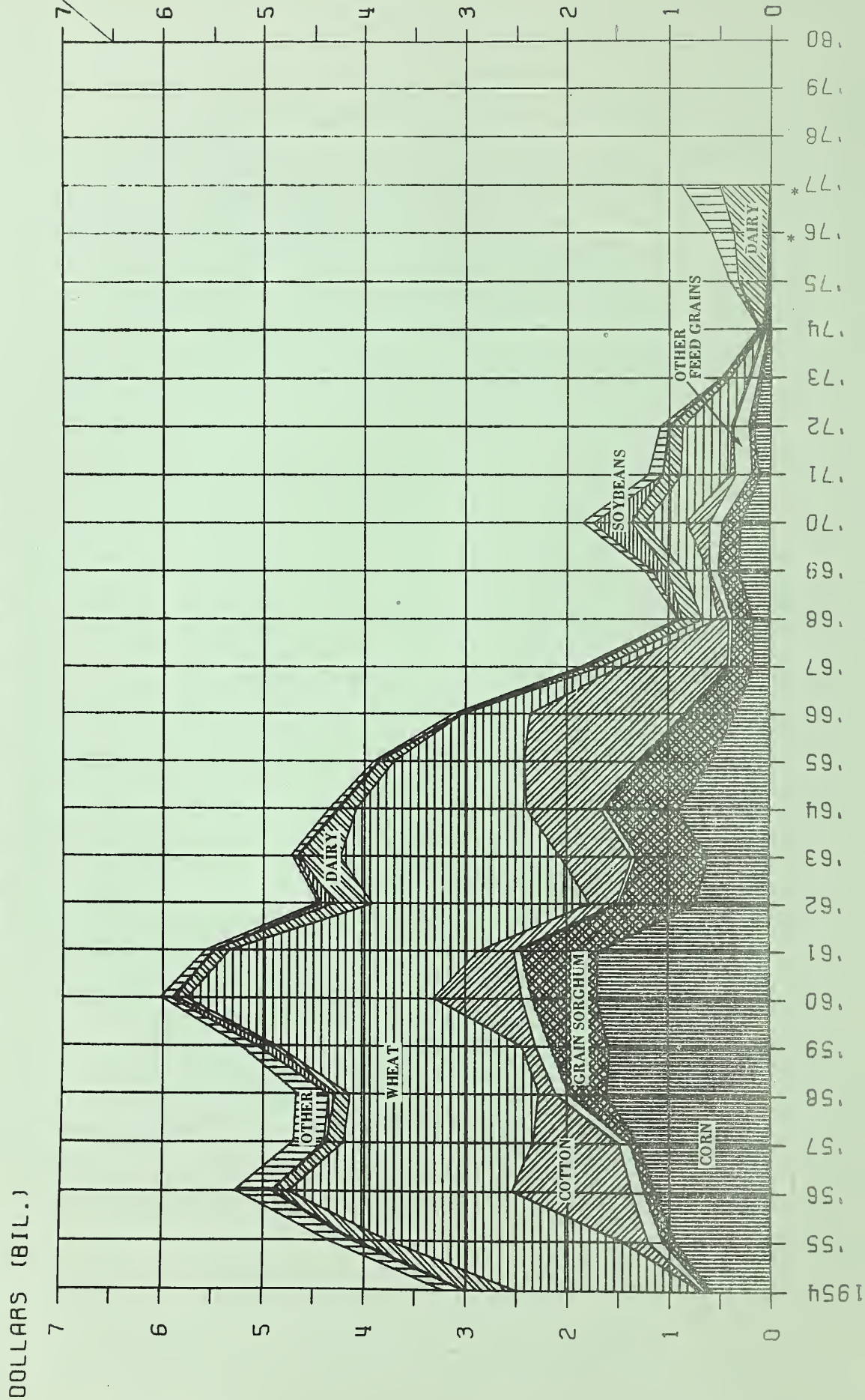
FY 1960-77



*Estimated

Exhibit 1

COMMODITY INVENTORIES OWNED BY CCC, ALL PROGRAMS END OF FISCAL YEARS 1954-1977



COMMODITY EXPORT ACTIVITIES

In order to maintain the U. S. share in foreign trade and to stimulate exports, the Corporation makes payments to exporters. Payments during FY 1976 totaled \$3.1 million representing the difference between the higher domestic price and the world price.

Export payments for tobacco were discontinued effective March 22, 1973. For wheat, wheat flour, and rice the program was terminated as of April 8, 1974. Contracts entered into prior to these dates are subject to payments. In the case of tobacco, contracts could also be entered into within a 90-day period after March 22, 1973, provided exportation would be made within 48 months following the month of acceptance by the Corporation. Export payments in the amount of \$1.2 million are expected to be made during fiscal year 1976 and none in fiscal year 1977.

Under authority of the Corporation charter and Sec. 4 of the Food for Peace Act of 1966, a short-term export credit sales program makes available commercial sales of agricultural commodities on a deferred payment basis for periods up to a maximum of three years. Interest is charged at a rate announced each month by the Corporation. All sales are made to U.S. exporters who pass the credit on to foreign buyers. An assurance of payments from U.S. or foreign banks is required.

From the beginning of this program in 1966 through June 30, 1975, sales of agricultural commodities have amounted to approximately \$3,755 million, including \$249 million in the fiscal year ending June 30, 1975. Principal repayments have totaled \$3,057 million through June 30, 1975 - including \$506 million in fiscal year 1975. As of June 30, 1975, balances due under this program amounted to \$720 million. Appropriations are authorized but none have been requested.

STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are: (1) Help producers finance storage facilities on their own farms, (2) make maximum use of commercial facilities in the storage of CCC-owned commodities, and (3) provide CCC-owned or operated facilities for storing CCC-owned commodities where privately owned facilities are inadequate.

Government Storage

At the close of fiscal year 1975, the Corporation owned 19 bins having a storage capacity of 72,200 bushels.

The remaining bins were sold during July and August, 1975 to farmers and non-profit organizations.

Commercial Storage

The Corporation has a Uniform Grain Storage Agreement under which it makes storage payments to commercial warehousemen storing grain for CCC in country and terminal elevators. The agreement provides a flat per-day storage rate for about 6,743 grain warehouse facilities operating under the agreement. The facilities have a total capacity of 4.7 billion bushels. The Corporation has contracts

with around 537 commercial warehousemen in 15 States for the storage of Government-owned and loan cotton. Storage charges are paid at contract rates or at rates in the warehouseman's established tariff, whichever is less, and for reconcentrated cotton, at the standard rates, tariff rates, or special offer rates, whichever is the least. Delivery or outhandling charges are paid at the standard rate and those for other services at the tariff or at special offer rates, whichever is less.

The Corporation also has storage contracts with commercial warehouses for other commodities. Rates are prescribed in the contracts or are negotiated with individual warehousemen. Storage and handling charges in the fiscal year 1975 were \$17.3 million. Related transportation costs were \$16.4 million.

Beginning July 1, 1975 the Corporation converted from the uniform rate system to an offer rate system. Under the offer rate system warehousemen would offer rates at which they would store and handle CCC-owned or extended loan grain. Each warehouseman would have to warrant that the rate offered would not exceed the rate charged other customers for the same services. The rate would remain in effect unless superseded at a subsequent annual renewal date of the agreement.

Farm Storage

The resale loan program permits farmers to extend their support loans beyond the first year on specified commodities for specified periods and receive storage payments. Such payments to farmers in the fiscal year 1975 amounted to \$.4 million.

Loans made for the construction of farm storage facilities during 1975 totaled \$22.8 million for a capacity of 33.5 million bushels.

Effective September 17, 1973, program changes designed to maintain program activity at a level which will more nearly reflect the current storage situation were instituted. Major changes were an increase in the down-payment requirement, and an increase in the interest rate charged from 6 percent annually to 8-3/4 percent annually. Effective October 1, 1975, the interest rate was 7.50 percent annually. This new rate reflects decreased borrowing costs to CCC. The rates will be reviewed in October and March of each year to determine if changes are required.

SUPPLY AND FOREIGN PURCHASE

The Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities, pursuant to sections 5(b) and (c) of its charter act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9).

ACQUISITION

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors as noted earlier, and collateral acquisitions arising from loan operations. The inventory, though down from levels of a few years, is substantial. Its acquisition-cost value on June 30, 1975, was \$416 million, compared with \$7,233 million as of June 30, 1960, when surpluses of many commodities were moving toward peak levels. This reflects a reduction of 94%.

DISPOSAL

Authorities

The following authorities provide the basis for disposition of inventories:

1. Section 407 of the act of September 1, 1954, as amended (5 U. S. C. 1712-1),
2. Public Law 480, as amended,
3. Barter of agricultural commodities (Title II of the Agricultural Act of 1956, as amended, 7 U.S.C. 1856),
4. Grain for migratory waterfowl feed (PL 84-654) and resident game birds (PL 87-152),
5. Disaster livestock feed program (PL 86-299 and 87-127),
6. Donations--Sec. 202, 210, 407, and 416 of the Agricultural Act of 1949,
7. Payment-in-kind - domestic, PL 87-5, Sec. 124 and 133 of the Agricultural Act of 1961, the Agricultural Act of 1964,
8. The Food and Agriculture Act of 1965, PL 89-321,
9. Exports - CCC Charter Act, and Food for Peace Act of 1966, as amended,
10. Sec. 32 of PL 74-320, as amended,
11. Sec. 203 of the Agricultural Act of 1956, as amended (7 U.S.C. 1853),
12. Mutual Security Act of 1954, as amended, Sec. 402 (22 U.S.C. 1922),
13. Agricultural Act of 1970, PL 91-524,
14. The Agriculture and Consumer Protection Act of 1973, PL 93-86,
15. The Agriculture-Environmental and Consumer Protection Appropriation Act, 1975, PL 93-653, and
16. Agriculture and Related Agencies Appropriation Act, 1976, PL 94-122.

Summary of Dispositions

The Corporation has been able to move substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in the fiscal year 1975 was \$530.2 million of which \$450.0 million was received from sales proceeds. For fiscal year 1976 it is estimated that the Corporation will dispose of commodities valued at a cost of \$568.5 million with sales proceeds of \$397.2 million.

The following table shows value of commodities disposed of during FY 1975.

Type of Disposition	Fiscal Year 1975	
	Cost Value	Proceeds
	(Thousands of dollars)	
<u>Sales for Dollars:</u>		
Domestic	46,204	112,654
Export	--	--
<u>Public Law 480 (export):</u>		
Title II	313,047	335,194
<u>Donations:</u>		
Domestic	167,586	--
<u>Transfers to Other Government Agencies:</u>		
Domestic (includes Section 32)	705	724
Export	44	45
<u>Inventory Adjustments and other Recoveries</u>		
Domestic	2,607	1,340
<u>Subtotal:</u>		
Domestic dispositions	217,102	114,718
Export dispositions	313,091	335,239
<u>TOTAL DISPOSITIONS</u>	530,193	449,957

Explanation of Dispositions:

Domestic Commercial Sales

For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at prices which are not below minimums prescribed by law. There are no similar minimums on sales of non-storables.

For restricted uses - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include net or by-product uses, peanuts and oilseeds sold for extraction of oil, commodities which have substantially deteriorated in quality, or which are in danger of loss, waste, etc.

Export Commercial Sales

For many years, the Corporation has had authority to sell commodities for export without complying with minimum prices applicable to domestic sales.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized.

FINANCING

Borrowing Authority

The borrowing authority of \$14,500 million for the Corporation was authorized by Public Law 864, 84th Congress, approved August 1, 1956. The Corporation reserves a sufficient amount of the borrowing authority to purchase at any time all loans and other obligations held by financial institutions under the Corporation's programs. As of June 30, 1975, the Corporation had in use \$5,046.4 million of \$14,500.0 million authorized. This left a statutory borrowing authority available of \$9,453.6 million.

During fiscal year 1975, the Corporation's borrowing from the Treasury aggregated \$2,360.5 million and during the same year \$5,922.2 million was repaid from appropriations received and receipts from operations.

Reimbursement for Net Realized Losses

During fiscal year 1975, the Corporation received \$4,069.4 million for reimbursement of 1974 losses. As of June 30, 1975, there were unrestored realized losses as follows:

<u>Year</u>	<u>(Millions)</u>
1973	\$180.0
1974	9.1
1975	<u>709.6</u>
Total	<u>898.7</u>

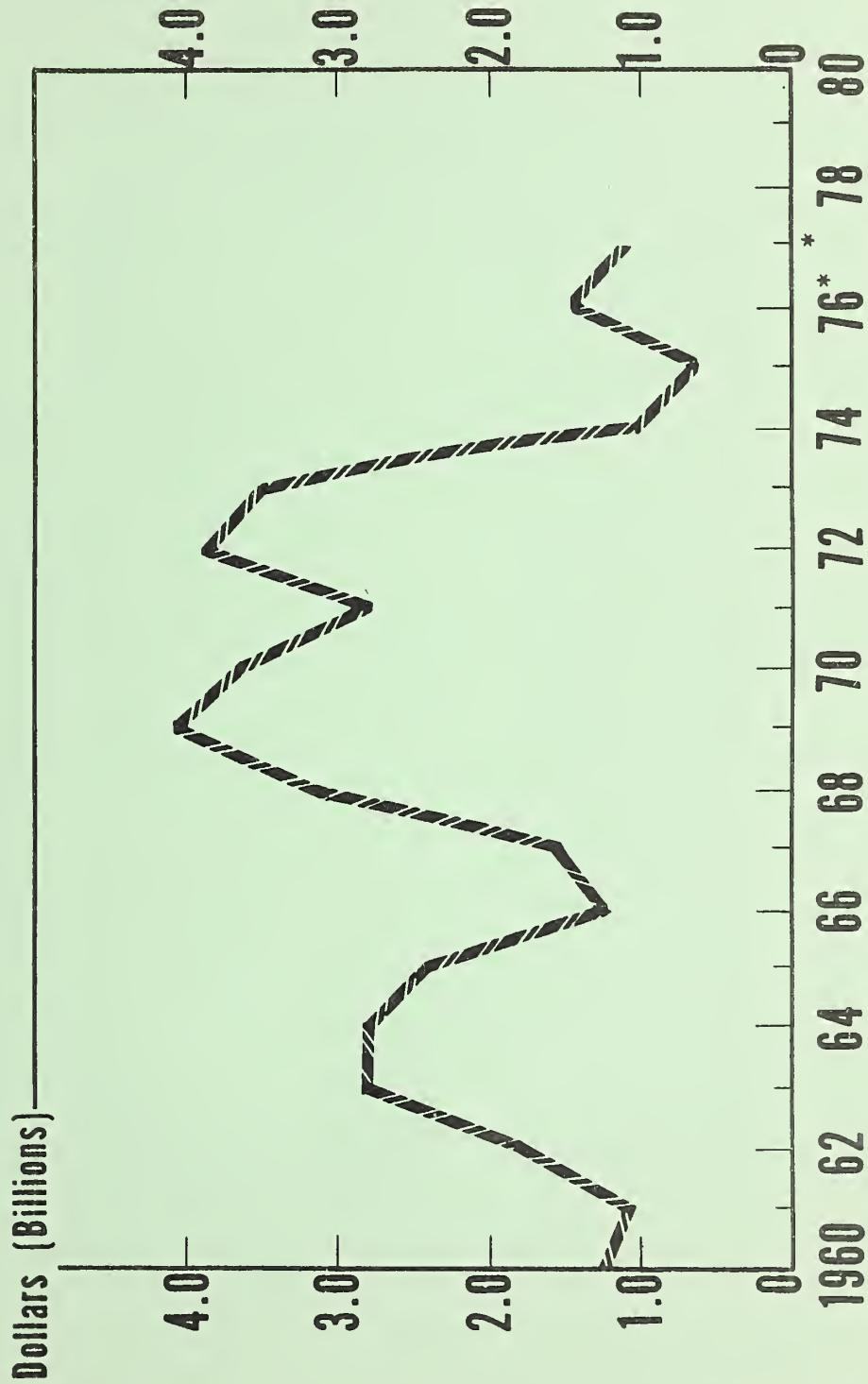
These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

The Agriculture and Related Agencies Appropriation Act of 1976 included \$2,750.0 million to reimburse the Corporation for the balance of 1972 losses and partial reimbursement for 1974 losses. The 1977 budget request of \$898.7 will reimburse the Corporation for actual losses for 1975, and the unreimbursed balance of 1973 and 1974 losses.

NET EXPENDITURES

Exhibit 3 shows CCC net expenditures for fiscal years 1960 through 1976.

**CCC NET EXPENDITURES
SUPPORT AND RELATED PROGRAMS
FY 1960-77**



* Estimated

SPECIAL ACTIVITIES

The Corporation finances activities pursuant to specific provisions of law, other than special activities for which specific annual appropriations are made.

These activities are:

1. Grain for migratory waterfowl (PL 87-152, 7 U.S.C. 442-445). Grain acquired by CCC considered to be unfit for human consumption is furnished to the Department of Interior upon its request to feed migratory waterfowl to prevent damage of crops. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
2. Surplus grain for migratory birds (PL 87-152, 7 U.S.C. 448). The secretary of Interior may requisition grain from CCC to feed starving migratory birds. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
3. Loans for conservation purposes (Agricultural Adjustment Act of 1938, as amended, 7 U.S.C. 1391 (c)). The Corporation advances funds to the Secretary in amounts not to exceed \$50 million annually to purchase conservation materials and services. Repayments of the loans plus interest are made from balances of prior appropriations or from new funds appropriated.

EXPENSES

Expenses of acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest have been treated as program rather than administrative expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal- or State-licensed inspectors and work performed on a contract or fee basis by Agricultural Stabilization and Conservation County Committees. Capital funds of the Corporation are transferred to the appropriation "Salaries and Expenses, Agriculture Stabilization and Conservation Service", as indicated under that appropriation item for operating expenses relating to the Corporation's programs. Also, expenses of other Federal agencies whose services are used in the handling of Corporation property are treated as program expenses.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on certificates of interest and lending agency obligations for the period the agencies have their funds invested.



(b) Limitation on Administrative Expenses

Appropriation Act, 1976	\$39,400,000
Budget Estimate, 1977	<u>\$40,700,000</u>
Increase in Limitation	+1,300,000

SUMMARY OF INCREASES AND DECREASES
(On basis of limitation)

	<u>1976</u>	<u>Program Changes</u>	<u>1977 Estimate</u>
Transfer to:			
"Salaries and Expenses, Agricultural Stabilization and Conservation Service" for support and related activities	\$32,261,000	-\$1,688,000	\$30,573,000
Allocation to Agricultural Marketing Service for warehouse inspection	3,439,000	+31,000	3,470,000
Allocation to Foreign Agricultural Service for export programs	1,110,000	+15,000	1,125,000
Allocation to Office of the General Sales Manager	2,590,000	+23,000	2,613,000
Contingency Reserve	--	+2,919,000	2,919,000
Total available or estimate	<u>\$39,400,000</u>	<u>+1,300,000</u>	<u>\$40,700,000</u>

The amounts shown below for 1977 reflect the total funds proposed to be used for the administrative expenses of the Commodity Credit Corporation and proposed to be advanced as indicated. An explanation of the funds required for 1977 is shown as a part of the budget request of the respective agencies.

Project Statement

<u>Project</u>	<u>1975 Actual</u>	<u>1976 Estimated</u>	<u>Program Changes</u>	<u>1977 Estimated</u>
Transfer to:				
"Salaries and Expenses, Agricultural Stabilization and Conservation Service"	\$30,960,000	\$32,261,000	-\$1,688,000	\$30,573,000
Agricultural Marketing Service	3,104,000	3,439,000	+31,000	3,470,000
Foreign Agricultural Service	1,082,000	1,110,000	+15,000	1,125,000
Office of General Sales Manager	2,526,000	2,590,000	+23,000	2,613,000
Unobligated balance	328,000	--	--	--
Contingency reserve (unused portion)	--	--	+2,919,000	2,919,000
Total available or estimate	<u>\$38,000,000</u>	<u>\$39,400,000</u>	<u>+1,300,000</u>	<u>\$40,700,000</u>

(c) National Wool Act

Appropriation Act, 1976	\$27,250,000
Budget Estimate, 1977	45,211,000
Increase in appropriation	+17,961,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item</u>	1976 Estimate (1974 Calendar Year)	Increase or Decrease	1977 Estimate (1975 Calendar Year)
Total duties collected in the applicable calendar year ..	\$83,738,000	-\$8,738,000	\$75,000,000
70% of duties collected, representing maximum available for reimbursement to CCC (appropriation)	27,250,000	+17,961,000	45,211,000

The 1976 appropriation covers reimbursement for fiscal year 1975 expenditures relating to marketings in the 1974 calendar year. The 1977 appropriation estimate covers fiscal year 1976 estimated expenditures relating to marketings in the 1975 calendar year.

PROJECT STATEMENT
(On basis of appropriation)

<u>Item</u>	1975	1976 (Estimated)	Decrease	1977 (Estimated)
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act (available or estimate)	\$64,417,500	\$27,250,000	+\$17,961,000 (1)	\$45,211,000

(1) An increase of \$17,961,000 in the appropriation to reimburse the Commodity Credit Corporation.

Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated program costs for fiscal year 1976 are \$40,359,000. Program costs have increased over fiscal year 1975, primarily due to increased payments to producers because of reduced season average price for wool.

EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Agriculture and Consumer Protection Act of 1973 (P. L. 93-86) to cover marketings through December 31, 1977. The support price for each of the next three years will remain at 72 cents per pound for shorn wool and 80.2 cents per pound of mohair.

Payments are made on marketings during each calendar year of shorn wool, unshorn lambs (to compensate producers for the wool on them) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of actual price received by the producer is used as payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment that he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payment in thousands of dollars:

<u>Item</u>	<u>Fiscal Year 1975 (1974 Marketing Year) (Actual)</u>	<u>Fiscal Year 1976 (1975 Marketing Year) (Estimate)</u>	<u>Fiscal Year 1977 (1976 Marketing Year) (Estimate)</u>
Available for payments, 70% of duties collected:			
Cumulative from Jan. 1, 1953	\$1,660,483	\$1,712,983	\$1,772,483
Cumulative payments to producers	<u>991,705</u>	<u>1,032,064</u>	<u>1,063,348</u>
Balance available, end of year	<u>668,778</u>	<u>680,919</u>	<u>709,135</u>

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 per centum of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

JUSTIFICATION OF INCREASES AND DECREASES

<u>Item</u>	<u>1976 Estimate (Fiscal Year 1975 Expendi- tures)</u>	<u>Increase or Decrease</u>	<u>1977 Estimate (Fiscal Year 1976 Expendi- tures)</u>
Payments to producers:			
Shorn wool	\$12,158,000	+\$ 21,213,000 (1)	\$33,371,000
Unshorn lambs	2,490,000	+4,498,000 (2)	6,988,000
Mohair	--	--	--
Total payments	14,648,000	+25,711,000	40,359,000
Operating expenses	3,150,000	+810,000 (3)	3,960,000
Interest expenses	1,090,000	-198,000 (4)	892,000
Total	<u>18,888,000</u>	<u>+26,323,000</u>	<u>45,211,000</u>

(1) An increase of \$21,213,000 in shorn wool payments (\$12,158,000 in 1976 estimate). This results from an increase of 15.1 cents per pound in the payment rate due to an estimated decline in the season average price from 59.1 cents to 44.0 cents per pound.

(2) An increase of \$4,498,000 in payments on unshorn lambs (\$2,490,000 in 1976 estimate). The increase is due to projected season average price for wool is less than the support price; thus increasing the payment rate to \$1.12 per hundredweight from 51.6 cents.

(3) An increase of \$810,000 in operating expenses (\$3,150,000 in 1976 estimate). The increase reflects the inclusion of expenses for transition quarter plus estimated increases in rent and pay costs during fiscal year 1976.

(4) A decrease of \$198,000 in interest expenses (\$1,090,000 in 1976 estimate). Reflects lower interest rates partially offset by increased program costs and the inclusion of interest expense incurred in the transition quarter.

STATUS OF PROGRAM

Costs

Costs incurred under this program include payments, operating and interest costs.

The following tables show (1) the basis of the estimates for the fiscal years 1975, 1976, and 1977, and (2) historical cost data for the wool program..

EXPENDITURES AND REIMBURSEMENTS TO CCC
UNDER THE NATIONAL WOOL ACT

Item	Fiscal Year 1975 (1974 Marketing Year) (Actual)	Fiscal Year 1976 (1975 Marketing Year) (Estimated)	Fiscal Year 1977 (1976 Marketing Year) (Estimated)
Volume of Marketing:			
Pounds of shorn wool	132,931,000	119,181,000	118,200,000
Hundredweight, unshorn lambs ...	4,680,000	6,239,000	6,000,000
Pounds of mohair	8,400,000	7,800,000	9,450,000
Incentive or Support Level:			
Price per lb. of wool (cents) ..	72.0	72.0	72.0
Price per lb. of mohair (cents).	80.2	80.2	80.2
Percent of parity - wool	59.5	52.6	49.7
Percent of parity - mohair	51.4	42.9	37.3
Payments under Act - Rates:			
Shorn wool per pound (cents) ...	12.9	28.0	22.0
Unshorn lambs, cwt. (cents)	51.6	112.0	88.0
Mohair, per pound (cents)	--	--	--
Amount of Payments:			
Shorn wool	12,158,000	33,371,000	26,004,000
Unshorn lambs	2,490,000	6,988,000	5,280,000
Mohair	--	--	--
Total payments	14,648,000	40,359,000	31,284,000
Operating Expenses	3,150,000	3,960,000	3,694,000
Interest Expense	1,090,000	892,000	1,312,000
Current year expenditures	18,888,000	45,211,000	36,290,000
Unrecovered Balance, prior years .	72,780,000	27,250,000	45,211,000
Total cumulative unrecovered balance	91,668,000	72,461,000	81,501,000
Reimbursement to CCC (70% of preceding calendar year duty collections) <u>1/</u>	64,418,000	27,250,000	45,211,000
Unrecovered Balance, end of year .	27,250,000	45,211,000	36,290,000

1/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

Cost of Wool Programs Financed by
Commodity Credit Corporation

Year	National Wool Act Payment Program (Fiscal Year)	Gross Receipts from Duties Collected on Wool and Wool Manu- factures (Calendar Year)	70% of Duties Collected on Wool and Wool Manufactures Available for Payments (Calendar Year)
1953		\$75,768,963	\$53,038,273
1954		56,635,765	39,645,036
1955	\$187,684	69,930,183	48,951,128
1956	2,020,975	74,694,145	52,285,902
1957	61,292,352	67,233,972	47,063,780
1958	57,182,448	71,500,447	50,050,313
1959	20,025,827	95,985,584	67,189,909
1960	92,653,681	107,539,419	75,277,593
1961	60,886,812	98,806,944	69,164,861
1962	65,347,054	128,827,847	90,179,493
1963	63,164,602	132,071,019	92,449,713
1964	73,203,933	113,323,654	79,326,558
1965	22,577,216	173,538,080	121,476,656
1966	38,260,163	158,357,675	110,850,372
1967	34,792,675	138,500,000	96,950,000
1968	72,451,002	168,000,000	117,600,000
1969	67,892,514	152,866,000	107,006,200
1970	56,272,766	133,489,000	93,442,300
1971	75,430,447	95,281,000	66,696,700
1972	116,545,406	84,005,000	58,803,500
1973	74,000,154	92,025,000	64,417,500
1974	7,735,468	83,738,000	58,617,000
1975	18,888,000	75,000,000 ^{1/}	52,500,000 ^{1/}
Subtotal	1,080,811,179	2,447,117,697	1,712,982,787
1976 ^{1/}	45,211,000	85,000,000	59,500,000
1977 ^{1/}	36,290,000	90,000,000	63,000,000
Total	1,162,312,179	2,622,117,697	1,835,482,787

^{1/} Estimated.

Note: Excludes \$116 million losses by CCC on commodity loan and inventory operations prior to National Wool Act.

1974 Wool Program 1/
Producers earning incentive payment, and amount of payments

	Shorn wool			Unshorn lambs			Total payments	Promotion fund deduction
	Producers earning payment	Net weight marketed	Computed payments	Producers earning payment	Net weight marketed	Computed payments		
	Number	1,000 lbs.	Dollars	Number	1,000 lbs.	Dollars	Dollars	Dollars
Ala.....	26	6	461					
Alaska.....	1	40	7,923				499	100
Ariz.....	4,550	3,150	300,880				7,923	595
Ark.....	86	20	1,209				353,484	50,104
Calif.....	1,894	8,920	1,114,209				353,484	354
Colo.....	904	2,600	555,132				1,448,177	168,486
Conn.....	137	25	3,312				760,163	86,443
Del.....	8	2	230				3,109	382
Fla.....	12	5	326				65	46
Ga.....	27	8	652				337	74
Idaho.....	1,288	2,952	379,831				735	128
Ill.....	6,126	1,173	107,858				615,972	77,543
Ind.....	5,022	925	86,920				143,143	22,400
Iowa.....	9,359	2,562	224,016				113,775	17,517
Kans.....	1,424	1,091	115,684				306,170	47,264
Ky.....	555	199	19,829				172,043	23,421
La.....	237	70	5,340				30,452	4,450
Maine.....	328	66	8,056				5,389	1,054
Md.....	288	98	9,635				8,636	1,052
Mass.....	193	31	4,334				11,935	1,082
Mich.....	1,883	953	93,090				2,300	4,471
Minn.....	5,007	1,687	158,745				22,876	16,944
Miss.....	91	22	1,453				79,394	35,208
Mo.....	2,643	5,025	70,163				1,555	339
Mont.....	1,325	1,203	73,107				26,359	96,722
Neb.....	1,325	1,203	73,107				183,689	86,232
N.H.....	77	1,874	124,386				27,881	17,132
N.J.....	202	32	4,121				4,204	496
N.Y.....	207	37	3,412				184	585
N. Mex.....	2,300	4,373	563,348				55,948	72,950
N.C.....	937	331	36,623				619,296	72,950
N.D.....	248	45	4,174				42,475	5,657
N. Dak.....	1,476	1,610	178,524				5,502	860
Ohio.....	8,556	3,011	287,920				245,120	31,347
Okla.....	802	394	36,599				363,884	54,231
Ore.....	2,478	2,691	286,848				75,964	54,231
Pa.....	2,486	668	72,266				13,219	7,609
R.I.....	49	11	1,483				375,764	50,931
S.C.....	9	2	170				87,143	11,871
S. Dak.....	4,917	6,286	779,855				1,500	173
Tenn.....	440	81	7,011				1,175	30
Texas.....	7,202	20,348	2,768,137				1,051,530	126,364
Utah.....	2,003	4,673	566,150				11,185	1,816
Vt.....	2,836	712	68,838				3,107,838	334,193
Va.....	3,539	649	78,823				772,383	95,238
Wash.....	3,039	629	66,014				119,343	17,370
W.Va.....	2,249	617	50,291				119,049	13,504
Wis.....	1,322	10,080	1,476,274				106,049	13,504
Wyo.....							107,811	15,440
Total.....	89,959	94,823	11,637,510	68,597	612,723	2,876,713	67,923	11,572
							1,724,669	181,836
							14,514,223	1,744,871

NOTE: For payments, the sum of the States will not add to the U. S. total due to rounding of producer payment data.

- 1/ No payments made to mohair producers since the average market price of mohair was higher than the support rate.
- 2/ Total wool payments shown above
- Unallocated payments and adjustments for period July 1, 1974 to June 30, 1975 = \$14,514,223
- Total payments = 133,777
- = \$14,648,000

Promotion Activities

A "self-help" program for advertising, promotion, and related market development activities is authorized, if approved by producers, by Section 708 of the Act. In a referendum in June 1971, wool and lamb producers approved a new three-year agreement between the Secretary and the American Sheep Producers Council, Inc. The agreement authorizes deductions from payment to finance the program. In July 1971, mohair producers approved a similar agreement authorizing deductions from payments to advertise and promote mohair. Under both agreements, deductions from payments began in fiscal year 1972, when payments on 1971 marketings were made, and will continue through the agreement period.

The Agriculture and Consumer Protection Act of 1973 provides that advertising and sales promotion programs may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses for mohair or goats or the products thereof produced in the United States.

SPECIAL EXPORT PROGRAM

The Commodity Credit Corporation conducted a special export program for bartered materials for the supplemental stockpile from 1957 through 1971. Costs of the final transfer of materials made in 1971 were reimbursed from the 1971 appropriation and other funds available.

Barter activities are now limited to barter for offshore procurement for other Government agencies on a reimbursable basis. Under this program, the Corporation pays an "offshore procurement premium" for the export of certain commodities.

Effective at the beginning of fiscal year 1974, barter program contract negotiations have been suspended. Commodity shipments for 1975 represent completion of shipments under contracts made prior to the suspension.

The following table shows actual and estimated activity, 1975 and 1976:

Commodities Bartered for Offshore Procurement for Other Government Agencies
(In thousands)

Commodity	Unit of Measure	1975		1976 Estimate	
		Quantity	Value	Quantity	Value
Cotton, upland	bale	23	\$4,428	-	-
Tobacco, total	pound	221	215	-	-
Tallow or grease	pound	196	49	-	-
Total ^{1/}	xxx	xxx	4,692	-	-

^{1/} Distribution as follows:

For offshore procurement (paid by other sources)	\$4,692	-
Offshore premiums (information only)	(635)	-
Total	<u>4,692</u>	<u>-</u>

